WASHINGTON

Mark L. Durrell, Deer Park.
William F. Downs, Elma.
William E. Kier, Mason City.
Albert P. Tolefson, Oakville.
Benjamin S. Sawyer, Olympia.
Ronald L. Chard, Pomeroy.
William H. Ruettgers, Washougal.
Royce H. Mitchell, Woodland.

WISCONSIN

Earle D. Bush, Brodhead.
Norman H. Adams, Minong.
Stannie Sigurdson, Sister Bay.

# HOUSE OF REPRESENTATIVES

## WEDNESDAY, MAY 8, 1935

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Wait thou on God. Heavenly Father, in Thy holy presence may we have thoughts and feelings which are not inspired by false haste; let spirits be hushed and subdued as we linger in composure and tranquillity. With great peace bless us with a wonderful detachment from undue care and worry. Enable us to preserve our hidden and spiritual power; may it be renewed, sustained, and nourished. In the school of public service let us most assuredly pass from stage to stage, having expanding visions of our Republic and a growing realization of the essential need of a firm faith in the God of our fathers. With eagerness and with glad contemplation send us forth to the fields of duty, having energy with sight, force with a song, and a jubilant march of strength. In the name of our Savior. Amen.

The Journal of the proceedings of yesterday was read and approved.

### MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate had passed without amendment joint resolutions of the House of the following titles:

H. J. Res. 273. Joint resolution extending the gratitude of the Nation to Admiral Byrd and to the members of his expedition; and

H. J. Res. 274. Joint resolution authorizing the appointment of a special joint committee to meet with other representatives of the Government in greeting Rear Admiral Richard E. Byrd upon his return from his second Antarctic expedition.

### RELIGIOUS PERSECUTION IN MEXICO

Mr. CELLER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on the subject of Mexico and Catholic persecution.

Mr. BLANTON. Mr. Speaker, is this document attacking the present Government of Mexico?

Mr. CELLER. It is.

Mr. BLANTON. I think it is untimely for a Member of the House to print documents attacking a sovereign government that is our close neighbor and our friend. My district, when I first came here, joined several hundred miles of Mexican territory.

Mr. CELLER. Does the gentleman object to my own remarks in the RECORD?

Mr. BLANTON. No; I do not object to the remarks of any Member, but I do object to outsiders' documents attacking Mexico. I think we ought to keep peace with Mexico.

Mr. O'CONNOR demanded the regular order.

Mr. CELLER. These are my own remarks.

Mr. BLANTON. Mr. Speaker, I did not understand these were the gentleman's own remarks. I have no objection to Members' own remarks.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CELLER. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include my answer to remarks of Hon. Eduardo Villasenor, consul general of Mexico, at New York, May 5, 1935:

The present persecution of Catholics on our own continent—in Mexico—dismays and frightens all liberty-loving citizens. This reversion to medieval methods is most discouraging. To Americans, intolerance of any variety is especially obnoxious. Complete personal freedom in all phases of our daily lives is an integral part of the American birthright, and it is, therefore, with actual horror that we witness the present Mexican scene.

It is well to recall the famous reply of George Washington to the parishioners of the Portuguese Synagogue at Newport, R. I., which in 1789, had congratulated General Washington upon his elevation to the Presidency. Washington states that he now rejoiced that every man could worship his God under his own vine and fig tree, and there shall be none to make him afraid—there shall be none to make him afraid.

It is refreshing also to note that when Thomas Jefferson wrote his own epitaph, which is found upon the base of the monument erected to his memory at the portals of the University of Virginia, he was insistent upon including therein the fact that he was the author of the Virginia statute of religious freedom.

And when the Constitution was ratified, it is well to recall that Jefferson opposed it because it failed to contain a bill of rights, including religious freedom. He labored incessantly until the nine first amendments including the amendment concerning religious freedom were embedded in the Constitution.

On March 31, 1935, Dr. Luis Quintanilla, counselor of the Mexican Embassy, Washington, said: "Religious liberty was one of the fundamental features of American life. It undoubtedly contributed to the amazing growth of your great country."

What a far cry it is from Jefferson, Washington, and Quintanilla, how contrary to the spirit of our institutions and government is the Catholic persecution now rampant in Mexico.

It might be asked what concern is it of ours? Why should we not be a good neighbor and disregard what is happening below the Rio Grande? To apply this policy of good neighborliness is, as was said by Archbishop Curley, like trying to be a good neighbor to a man living next door who comes home drunk, beats his wife, keeps his children in rags, and sometimes throws them out of the window.

To vary the simile, if my neighbor's house is on fire, I must take the uttermost precautions to see to it that the conflagration doesn't spread to mine.

Religious liberty is too infinitely valuable to us to allow it to be impinged upon at so close a range.

Make no mistake about this: Catholic persecution is official in Mexico. For example, Prof. Raymond V. Moley reports that on the wall in the reception room of Tomas Garrido Canabal, Minister of Agriculture and leader of the Government's antireligious campaign, hangs a placard bearing this inscription: "Belief in God has been the cause of the oppression and backwardness of the people."

The fact that the rulers of Mexico, the National Revolutionary Party, may be themselves antireligious is no concern of ours. But when these rulers attempt to stamp out and crush the religious freedom of their compatriots, the entire aspect changes, and we can regard such a policy as a definite threat to the security of our own freedom.

The Mexican foreign service emphatically denies that there is even any attempt to persecute Catholics. It claims that if there is any misfortune, if there is any difficulty, it is due to the Catholic Church and the Catholic Hierarchy. Any complaints lodged against them are foreign fictions and propaganda against the National Revolutionary Government. This identical method is being used by Hitler in Germany in a similar campaign against the Jews. In fact, the denial by the Mexican authorities of Catholic persecution is so palpably weak that I cannot resist the temptation of repeating the story that emanates from Germany. A family of Jews in Germany wrote to relatives in the United States as follows:

"We have a wonderful life. Not a hair on the head of any Jew has been touched, and Hitler is bringing us to a better future.

"Uncle Morritz, who expressed the opposite opinion, is being buried tomorrow."

It is so easy to deny. It is so easy to charge propaganda.

Let us look into the record. The Living Church, the organ of the Anglican Episcopalian Church in America, several months ago declared that the hatred of those in control of the Mexican Government for religion of any sort, Catholic or Protestant, has been increasingly manifest during the past decade. It speaks of a Mexican governmental body blow to Christianity.

Many other responsible representative journals of religious opinion in this country have unanimously condemned the Mexican situation as a major scandal in world affairs. Amongst these are the Christian Century, the Christian Science Monitor, the American Hebrew, as well as leading publications of the Baptist, Presbyterian, and Methodist faiths.

Many resolutions of inquiry, many resolutions of condemnation of Mexico, have been introduced in the House of Representatives and the Senate. Among them are resolutions by Senators BARBOUR, of New Jersey, BORAH, of Idaho, and WAGNER, of New York. The latter has presented resolutions demanding suspension of trade relations with Mexico and urging tourists not to visit that country because of atrocities against Catholics. Certainly these distinguished men are not fools. They are not going to be stam-

peded into action by mere rumors, nor are they to be influenced by self-serving declarations and propaganda of the Mexican authorities. Mexican naive denials, without proof, are as useless and ineffectual to them and to other right-thinking Americans as snow falling upon an iceberg.

Late in November of the past year, the National Conference of Jews and Christians published a statement of protest against Mexican tyranny and persecutions against Catholics, signed by 500 clergymen of the Catholic, Protestant, and Jewish faiths. Newton D. Baker, Prof. Carlton J. Hays, and Roger W. Strauss were cochairmen of the conference. Nine-tenths of the signatures were Protestant ministers and Jewish rabbis, representing 26 Protestant and 3 Jewish denominations in 41 States, and in Canada. Grave concern was expressed over the situation in Mexico, the report said, where many unprejudiced observers indicated that in the endeavor to secure social justice and political reforms otherwise desirable, religious liberty was being imperiled.

On October 19, 1934, the Mexican Chamber of Deputies voted to deport all Catholic bishops and archbishops throughout the country. Unbiased observers, returning from Mexico, report that there has been rioting and atrocities.

The Herald Tribune for Sunday, November 11, reported: "Authorities of Las Casas, in Chiapas State, gathered, last night, and burned in public all images of saints taken in raids on Roman Catholic churches. Priests in the town were recently deported to Guatemala."

Raiding by police, without warrants, of private homes where, in absolute privacy, religious devotions are being held, is a common occurrence. There are only 25 priests allotted to Mexico City to administer to 1,000,000 Catholics.

The mails are now closed to any material directed toward the diffusion of any religious creed. Not even the Bible is permitted to be circulated through the Mexican mails.

Robert Hammond Murray, resident of Mexico most of the time since 1909, newspaper correspondent and former representative in Mexico of our own Department of State, recently writing in the magazine Today, stated:

"Catholics say that their church, their religion, and their coreligionists in Mexico are being persecuted. The Mexican Government insists, with vehemence, that they are not. I say they are. I say this as a Protestant * * *."

"In 11 of the 30 States and Territories of Mexico in January of this year not a clergyman was in service, except surreptitiously, and only a handful of churches were open for worship. Every priest had been expelled from six of the States. One Territory, Lower California, was legally entitled to one priest to preach and administer the sacraments to a population of 95,000—and he had been driven out of the country.

"Only 372 priests were licensed to officiate in all Mexico, with its 16,000,000 inhabitants, or 1 to every 43,010 persons; and of these priests probably more than half were not permitted to officiate, had been terrorized into silence, or had been forced to flee the country subsequent to the recrudescence of antireligious intolerance within the past year. 'Conspiring against the Government and the revolution' is the stock charge advanced to justify the arrest and expulsion of priests."

These are not mere whimsical atrocity tales made up for the occasion, as Lr. Quintanilla charges.

George Creel, noted correspondent, in Collier's, March 16, 1935, gives evidence of ruthless persecutions against Catholics and banishment of nuns and priests and closing of churches. F. V. Williams testifies similarly in the Washington Post.

Jacques D'Armand, United Press staff correspondent, claims that one-third of Mexican States and Territories prohibit all church services. He reports that, in general, the Catholic Church has submitted to all Mexican laws while protesting against their alleged injustice.

Are these trusted writers liars and cheats? No. They are reflecting actual conditions. Naive denials are useless and ineffectual as snow falling upon an iceberg.

Incidentally the Mexican Government has set up a new diplomatic post called "attaché for propaganda." Already the Mexican Government is flooding this country with literature and pamphlets, all in the nature of defenses of the activities of the Mexican revolutionary government and in derogation of the rights of the Catholic Church. I have drawn the attention of the Postmaster General, Mr. Farley, to the fact that most of these letters and circulars, sent in our domestic mails under the diplomatic and consular "frank", are in violation of the Postal Convention between the United States and Mexico, as well as a violation of our postal laws. I warn the Mexican authorities that unless this flood of propaganda through our mails under the "frank" ceases, I shall leave no stone unturned to have the Postal Convention abrogated.

It is interesting to note that the British Secretary of State for Foreign Affairs, Sir John Simon, has promised the members of the House of Commons that he would instruct the British Minister at Mexico City to institute an inquiry as to the facilities for divine worship available to British citizens resident in Mexico—all indicative of the fact that Great Britain is gravely concerned over the antireligious attitude of the Mexican Government.

What about our own nationals resident in Mexico who are unable to attend mass and partake of the Catholic sacraments?

Answering the distinguished Mexican Consul General, Mr. Villasenor, if the Catholic Church was at any time in the past intolerant, this should be no reason for governmental intolerance and persecution in the present. Two wrongs do not make a right.

I applaud Mexico's attempt to solve the problem of democracy. I inveigh only against its spoliation of the Catholic Church and ostracism of its adherents.

Indeed the illiberalism of the Holy Inquisition and the Conquistadors is no justification for the intolerance of the national revolutionary government.

Mr. Villasenor cites provisions of the Mexican Constitution. He fails to cite article 24 of the 1917 constitution, which reads as follows:

"Every man is free to profess the religion of his choice and to practice the rituals, devotions, and acts of the respective creed in temples or in his home, provided they do not constitute a crime or offense punishable by law."

That provision has been flagrantly violated.

I agree with the consul general that education should be nonreligious. Unfortunately, in Mexico it is antireligious.

Why were Government employees questioned as to their religious persuasions? Was that not most suspicious? Does not my adversary convict his government of the very religious intolerance he denies? What has religion of employees to do with civil service except to make them marked men?

The good consul general admits all Government employees were compelled to parade in October, as an act of "collective discipline." (Rather ominous method—sounds sinister to me.) Although most of these employees are Catholic, they were thus compelled, under penalty of dismissal, to do homage to the national revolutionary government, which has pillaged their church and hunted and hounded their prelates.

In the light of Mexican tyranny and irreligious practices, the time must, indeed, be soon at hand for the United States to indicate, officially, in no uncertain terms, that it views with grave concern this distressing situation. There is ample precedent for such an American pronouncement. We interceded in connection with the persecution of the Jews in Damascus in 1840. In 1850 President Millard Fillmore interceded to secure full religious liberty for the Jews in Switzerland. In 1853 we interceded to prevent the persecution of Christian missionaries in Greece. In 1870 Secretary of State Hamilton Fish interceded in behalf of Christian missionaries in Hawaii. In 1895 Secretary of State Olney vigorously protested the massacre of Christians at Aleppo and at other Turkish cities. In fact, we dispatched three warships by way of backing up our protest. Many similar illustrations of our diplomatic intervention can be cited, even where our nationals were not involved.

I give warning that diplomatic remonstrance will soon come unless Mexican cruelties to Catholics cease.

### PERMISSION TO ADDRESS THE HOUSE

Mr. EKWALL. Mr. Speaker, I ask unanimous consent to proceed for 10 minutes.

Mr. O'CONNOR. Mr. Speaker, reserving the right to object, may I ask on what subject the gentleman is going to talk?

Mr. EKWALL. I am going to speak on the subject of the impeachment articles that were filed here yesterday.

Mr. O'CONNOR. Mr. Speaker, I think the whole proceeding yesterday was improper and the method by which we bring these things before the House is improper. I think the Chairman of the Judiciary Committee agrees with this view. To walk in here and not have courage enough to impeach a judge but just file alleged charges against him which are referred to a committee, washing all that dirty linen in public, is not the way to conduct a prosecution of this sort.

Mr. EKWALL. That is what I want to speak about.

Mr. O'CONNOR. I think the whole proceeding of yesterday was an insult.

Mr. EKWALL. Does the gentleman object to my proceeding?

Mr. O'CONNOR. If the gentleman is going to attempt to cure the unseeming exhibition here yesterday, I shall not object.

Mr. EKWALL. That is what I am going to try to do.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

Mr. DUFFEY of Ohio and Mr. DIRKSEN objected.

### HISTORY AND ACCOMPLISHMENTS OF THE UNITED STATES MARINE CORPS

Mr. HOUSTON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. HOUSTON. Mr. Speaker, having served with the United States Marines for almost 2 years during the late World War, I believe that few persons outside of the naval service have any real knowledge or appreciation of the value of the United States Marine Corps in many of the more

important events which go to make up the history of our country. The idea prevailing in the minds of most of our citizens, when the marines are mentioned, is a picturesque organization of young fellows struggling through tropical jungles fighting a tatterdemalion rebel army which was on the verge of overthrowing a government that had borrowed a lot of money from Americans.

While this picture is by no means entirely erroneous, the episodes of Latin American intervention give an inadequate impression of a branch of the naval service whose importance has not met with the general recognition which it merits.

Since an organization, like an individual, cannot properly be evaluated without some comprehension of its historical background, I propose briefly to review part of the history and accomplishments of this famous military organization.

Five centuries before the Christian Era the employment of infantry as part of the regular complement of vessels of war was common to the maritime states of the Mediterranean Sea. As naval science progressed, and as the size of vessels increased, a sharp differentiation was made in the duties of the seamen, who managed the vessel, and the marines, who were the fighting men.

Great maritime powers have always found it necessary to maintain a corps of marines, and England was no exception to the rule. In the time of Queen Elizabeth, after the destruction of the Spanish Armada, England first clearly saw that her destiny was on the sea. Soon thereafter the British Corps of Marines was founded, the ancestor of our own Marine Corps, whose equally glorious traditions our corps inherited.

The United States Marine Corps is no mere modern upstart among the military and naval organizations of the United States. Its origin runs back to the earliest days of the Nation and even earlier. The first authentic record of marines in America bears the date of 1740, when the American Colonies still yielded cheerful obedience to the British Crown. At that time three regiments of American marines were raised for service in the British Navy on this side of the Atlantic.

On November 10, 1775, before a single vessel was sent to sea, the Congress passed a resolution organizing a Marine Corps of two battalions, and prescribing also the number of officers and their ranks as well as the general qualifications of the enlisted men. Not until a month later, when the Congress commissioned several small war vessels, did the American Navy have its true beginnings. Wherefore the marines find a certain proud satisfaction in pointing out that their organization antedates that of the Navy itself.

In considering this resolution of the Congress it is of interest to note that it specified that "none should be enlisted in the Marine Corps except such as were good seamen." That is a qualification long since discarded. Although at times they served ship's guns, in the old Navy of yardarm-to-yardarm conflicts their battle service was mainly to board the adversary or to repel boarders and with their muskets to keep up a continuous fire, picking off, so far as possible, conspicuous officers.

Always, the marines have been the police of the men-of-war, serving as the captains' orderlies, mounting guard, and maintaining order. The early erroneous conception of the marine as a seaman persisted until recent years and was accompanied by a curious lack of understanding of their true function and real value.

From the hour of their earliest organization the marines made a noble record for themselves and for their country, furnishing conclusive evidence of the wisdom of the legislation which called their corps into existence. In the early naval fights they played a most important part, everywhere present and everywhere doing their duty. While the records of the Revolutionary War are but scanty and fragmentary, they show the presence on the ships of the infant American Navy of a considerable body of marines, a total of about 3,000.

These marines were distributed among the ships in detachments ranging in size from a sergeant's guard of 12 or 15 men up to 60 men with 2 commissioned officers. The roll of the officers and men of the Marine Corps killed in the naval engagements of the Revolutionary War, although short, is impressive in view of the small number in the corps at that time. In the famous action between the *Bon Homme Richard* and the British ship *Serapis* 49 of John Paul Jones' marines were killed or wounded, one-third of the total number of marines in the crew.

Within a year after the founding of the corps it was engaged in a landing operation on foreign soil, an enterprise which foreshadowed a multitude of similar operations in the years which followed.

An American naval squadron of eight vessels, under Commodore Esek Hopkins, proceeded to a rendezvous in the Bahamas in 1776. There Commodore Hopkins determined to make a descent upon New Brunswick, a British naval base, in an effort to capture military stores. A battalion of 300 marines in small boats landed under cover of the fire from the warships *Providence* and *Wasp*, which had been sent in to cover the landing.

The marines captured the forts by assault, together with a hundred cannon, a large quantity of stores, the Governor, and a number of prominent citizens. The official report of the action stated that "the marines behaved with spirit and steadiness."

This early amphibious operation against a naval base is of particular interest in that it embodied so many points of general similarity to the present-day methods of conducting operations from the sea against fortified bases ashore.

At the conclusion of the Revolutionary War the Navy, and with it the Marine Corps, was disbanded in accordance with the theory that in time of peace we need not prepare for war.

In 1798, as a result of the hostile actions of French ships against American merchant vessels and the impressment of American sailors by the French, the Navy Department was formally organized and a Secretary of the Navy was appointed. Previously naval activities had come under the jurisdiction of the Secretary of War. A few months later, in the same year, a law was passed authorizing a permanent Marine Corps.

During the hostilities which were conducted between the United States and France for more than 2 years without a declaration of war, 84 French ships were captured and the Marines took part in practically all of these naval actions. In the battle between the American ship *Constellation* and the French ship *La Vengeance*, one-eighth of the *Constellation's* crew of 310 were killed, of whom more than one-fourth were marines.

In the War of 1812 marines fought in nearly every engagement, afloat and ashore, invariably suffering heavy casualties. The sea fights in which they took part are among the most glorious incidents of American history—the *Constitution* and the *Guerriere*, the *United States* and the *Macedonian*, the *Wasp* and the *Frolic*, the *Constitution* and the *Java*, the *Hornet* and the *Peacock*, the *Shannon* and the *Chesapeake*, the *Enterprise* and the *Boxer*, the Battle of Lake Ontario, the Battle of Lake Erie, the Battle of Lake Champlain, the *Constitution* and the *Cyane*, the *Hornet* and the *Penguin*.

As for the operations on land, the marines and sailors played a creditable part in the Battle of Bladensburg, which preceded the burning of Washington, and were the only troops that stood their ground when the militia fled, until the British turned their rear. One-third of the marines at Bladensburg were casualties.

Detachments of marines served with the Army and were commended for their services at the Battle of Fort McHenry in Baltimore and at the Battle of New Orleans under Gen. Andrew Jackson.

The service of the Marine Corps during the Mexican War was one both of quality and quantity. Members of the corps served in detachments afloat in the Gulf Squadron, in the Pacific Squadron, and ashore as part of the Army under General Scott. From their participation in the assault on

Chapultepec came the inspiration for the initial lines of their famous hymn, the Halls of Montezuma.

After the Mexican War the Government largely reduced the armed forces, and the Marine Corps suffered with the rest. But the service of the corps was not unappreciated. In 1859 the Secretary of the Navy said:

> The Marine Corps is an indispensable branch of the naval service. At home we have had occasion to appreciate its prompt and disciplined energy in maintaining law, order, and government against outbreaks of illegal violence. It is a gallant little band upon which rest the most widely extended duties at home and in every sea and clime, without sufficient numbers to perform them.

The services of the marines in the Civil War were rendered "nobly and well" afloat and "admirably in camp and field." The Marine Corps, for the most part, serve afloat with the Navy, participating in the exhausting labors of blockade and assisting the Army in attacks on fortifications along the rivers and the seacoast. The services of the Navy and Marine Corps in the Civil War, although less spectacular and attracting less attention than those of the Army, were no less arduous and contributed in equal measure to the final success of the Federal arms.

In the latter half of the nineteenth century and early years of the twentieth century Central and South America and Cuba were particularly active in giving military employment to the Marine Corps. Turbulence, insurrection, revolution, and disorder have necessitated intervention by American arms on numerous occasions. Filibustering expeditions and gun running by American citizens were suppressed by the marines with a heavy hand, and numerous landings were made on foreign soil to quell riotous outbreaks.

The Marine Corps has fallen heir to this kind of duty, because international law permits such forces to be landed on foreign soil without the necessary existence of a state of war. American marines have been landed 72 times on foreign soil during the past 50 years.

The list of foreign countries where such wars, military occupations, and expeditions were participated in by the Marine Corps reads like a gazetteer of romance. This list, even though not complete, is so impressive in its implications of the world-wide scope of positive American diplomatic activity during the past century, that I cannot refrain from reading it. It is as follows:

> China, Japan, Siberia, Korea, Formosa, Philippines, Sumatra, Samoa, Fiji Islands, Drummond Islands, Navassa Islands, Hawaiian Islands, Nicaragua, Honduras, Colombia, Argentina, Chile, Panama, Mexico, Cuba, Bahamas, Haiti, Dominican Republic, Egypt, Tripoli, Abyssinia, Syria, Russia, France, and Germany.

There have been several interesting occasions where marines assisted in suppressing domestic disturbances. In 1857 the famous Washington riot took place here in the District of Columbia, the story of which is an echo from a dead political past. The so-called "Know-Nothing" Party imported a gang of hired ruffians, armed with clubs and revolvers, to take possession of the polls, and terrorize the citizens, preventing them from voting. The murderous crowd rushed the police who, although they fought valiantly, were driven from the polls. Thereupon the mayor called upon the President of the United States for assistance, and two companies of marines were ordered out of the Washington Navy Yard. Proceeding to the polls, surrounded by a threatening crowd of rioters, and amid the reckless firing of revolvers by the crowd, the marines suppressed the disorder, firing only a single volley.

Another interesting domestic disorder in which the marines participated was at Harpers Ferry, Va., where 40 marines from Washington under command of Col. Robert E. Lee, of the United States Army, stormed the fire-engine house to arrest John Brown, the abolitionist, and his band of followers.

During the draft riots in New York City in 1863 a battalion of marines patrolled the city for a week, making arrests and guarding public buildings, quelling by force of arms the strong resistance to the draft being made by lawless elements.

In times of public calamity also, as during the earthquakes at San Francisco in 1906, at Messina, Italy, in 1908, and in Long Beach, Calif., in 1933, the Marines have proved their worth in saving life, in guarding public and private property, and by assisting the citizens in every possible manner.

The present Italian difficulties with Abyssinia recall a picturesque expedition made by a body of 18 marines to the then-unknown town of Addis Ababa in Abyssinia. The State Department desired to negotiate a treaty with King Menelik and asked for an escort to convoy a diplomatic agent to the monarch's court. Landing at Somaliland, the party proceeded by means of camels and mules across a desert and over a mountain range, successfully accomplishing their mission.

In 1916 the population of Santo Domingo was in bloody revolution and a considerable expedition was sent in, which gradually placed the principal ports of the island under American control. The people fought savagely. A regiment of marines marching some 75 miles inland to Santiago had to fight every step of the way, finding all bridges destroyed and the roads blocked by the retreating natives. Not until the revolutionists laid down their arms and agreed to the formation of a provisional government under the auspices of the Marine Corps were hostilities ended.

The problems which confronted the marines in Haiti were much the same as those in Santo Domingo. There, too, native politicians sought to carry elections by force or by assassinations. In policing Haiti the marines were in constant danger of murderous and treacherous attack. Not infrequently a few men would be established at some outpost and would have to beat off great mobs of natives who thought to rush them and overwhelm them by numbers.

When peaceful conditions were again established the marines devoted their attention and energies to peaceful undertakings. In Santo Domingo and the adjoining Republic of Haiti they demonstrated that a body of men trained primarily for fighting purposes and acknowledged to be at the head of the military profession could adapt themselves to the task of restoring peaceful institutions and bringing order out of chaos.

They established sanitary and hygienic regulations, so necessary in the Tropics, and enforced them. Wagon tracks were developed into real roads, telephone and telegraph wires were strung, and their proper management was taught to the natives. Railroads were put in order and maintained schedules. Schools were opened and children compelled to attend them, while parents were taught to keep themselves and their offspring reasonably clean. Wandering bands of brigands were suppressed and property protected. Customs were collected and used for the benefit of the people or the foreign creditors of the country. Finances were put in order, while trade and industry took on new life. The marines were leaders in all this work, acting not merely as policemen but as guides, philosophers, and friends of the people.

When the United States entered the World War on April 6, 1917, the strength of the Marine Corps was nearly 14,000 officers and men. When the war ended the corps had been expanded to five and one-half times that number, to an actual strength of 75,000. Despite this great expansion, the high standard of the corps was never lowered. Within 1 year after the outbreak of the war the Marine Corps placed as many troops in France as there were in the entire corps when war was declared. Before the war ended 30,000 marines were sent overseas to join the American Expeditionary Forces.

Although upon the outbreak of the war slightly more than half of the total number of officers and men were on duty beyond the continental limits of the United States and serving on board cruising vessels of the Navy, only 5 weeks later the fifth regiment of marines, 70 officers and 2,689 enlisted men, one-sixth of the entire corps, organized, equipped, and ready for active service sailed for France, forming one-fifth of the first expedition of American troops; a remarkable demonstration of readiness and efficiency.

Soon afterward this regiment was joined by the Sixth Regiment of Marines and the Sixth Machine Gun Battalion, the whole being organized into the Fourth Marine Brigade. As one of the brigades of the Second Division, this famous

brigade engaged in battle in no less than eight distinct operations in France, suffering approximately 12,000 casualties, of which nearly 3,000 died on the battlefield.

Notwithstanding its splendid contribution to the success of American arms in France, the Marine Corps performed the naval duties required of it in a highly satisfactory manner. No call was made for additional marines for naval purposes that was not fully met, and this is of especial interest, as the Marine Corps is essentially a part of the Naval Establishment, and its first duty is to fill all naval needs and requirements.

In this connection I desire to quote from a report of the House Committee on Naval Affairs in the Thirty-ninth Congress:

> From the establishment of the Marine Corps to the present time it has constituted an integral part of the Navy, has been identified with it in all its achievements, ashore and afloat, and has continued to receive from its most distinguished commanders the expression of their appreciation of the effectiveness as a part of the Navy.

Like every other part of the Navy, the Marine Corps exists for the fleet. While amphibious operations have not been of frequent occurrence in recent years, it is believed that such operations involving the seizure or defense of outlying naval bases will be part of the task of the American Navy in any future war in which we may be engaged.

With this in mind the Marine Corps has organized and now keeps in readiness a highly trained and very mobile fleet marine force composed of infantry, artillery, aviation, and auxiliary troops on both the Atlantic and Pacific coasts. This force conducts frequent exercises with the fleet on both coasts and in the West Indies. Officers and men must be accustomed to the conditions which will confront them while afloat, and it is essential that their training differ from that of either sailors or soldiers.

In addition to the fleet Marine force the Marine Corps maintains its time-honored garrisons at navy yards and naval stations within and without the United States, as well as detachments on board men-of-war. A regiment of marines is stationed in the troubled area at Shanghai, China, while a marine guard protects our legation at Peiping.

In every corner of the world these faithful men well sustain the high reputation for steadfast courage and unsullied honor handed down to them by their predecessors. The ancient marine tradition of duty and self-sacrifice is a noble heritage, and it has been nobly maintained. For 160 years, ashore and afloat, in war and in peace, on every continent and on every sea their stubborn loyalty and devotion to duty have added glory to their country's history and luster to their corps.

### RELIEF IN OKLAHOMA

Mr. FERGUSON. Mr. Speaker, I ask unanimous consent to proceed for 2 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

Mr. KENNEY. Mr. Speaker, reserving the right to object, the gentleman from Oregon, I believe, asked unanimous consent to proceed for 10 minutes. An objection was made, but was later withdrawn, so that I understand that his request is before the House at the present time.

The SPEAKER. Does the gentleman object to the request made by the gentleman from Oklahoma?

Mr. KENNEY. Not at all.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. FERGUSON. Mr. Speaker, for the last 3 months I have been calling the attention of this body to the dust storms in western Oklahoma, Kansas, Colorado, New Mexico, and Texas. I have exhausted the resources of aid and relief for those people by contacting every department that I thought might be of some help and might be able to meet the situation. Since I have had this experience I have drawn a bill that I introduced yesterday, and at this point, Mr. Speaker, I ask unanimous consent to have the bill inserted in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

The bill referred to is as follows:

House Joint Resolution 275

Joint resolution making appropriations for emergency relief in stricken agricultural areas

*Resolved, etc.*, That the Congress hereby declares that there exists an acute emergency and an urgent necessity for relief in agricultural areas stricken by severe drought, dust storms, and crop failures; that the urgency is at the present time greatest in the States of Texas, Oklahoma, Kansas, Colorado, and New Mexico, within which States the drought and dust storms are most severe, and from which dust storms pass to other States; that in the designated States there is an existing or threatened deprivation of a considerable number of families and individuals of the necessities of life; and that it is imperative that the farm operators in the stricken areas be furnished relief and be assisted to modify their land-use practices so as to lessen the likelihood of recurrence of similar dust storms.

SEC. 2. In order to meet the said emergency and necessity for relief, there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, to be immediately available and to remain available until June 30, 1937, the sum of $50,000,000 to be used in the discretion and under the direction of the President, in the stricken areas of the said States and in any other States in which the President may find and declare that the emergency and necessity for relief from drought, dust storms, and crop failures has become aggravated, for: (1) Furnishing relief in the form of money, services, materials, and/or commodities to provide the necessities of life, including hospitalization and medical care, to persons in need; (2) making loans and grants for, and/or the purchase, sale, gift, or other disposition of, seed, feed, livestock, farm implements, and machinery, freight, soil preparation, summer fallowing, and similar purposes; (3) making loans and grants for the making of needed repairs to farm buildings and farm machinery; and (4) making loans and grants for the performance of such work and the carrying out of such engineering operations, methods of cultivation, growing of vegetation, changes in use of land, and such other measures as are necessary to conserve soil resources and to prevent soil blowing. The provisions of section 3709 of the Revised Statutes (U. S. C., title 41, sec. 5) shall not apply to any purchase made or service procured in carrying out the provisions of this joint resolution when the aggregate amount involved is less than $500.

SEC. 3. As a condition to the extending of any benefits or assistance under this act, the President may require agreements or covenants on the part of the owners and/or occupiers of lands upon which any work is to be done under the provisions hereof, as to the permanent use of such lands, to the end that improper land-use practices contributing to soil blowing and soil erosion may be discontinued, and appropriate soil-conserving land-use practices, cropping programs, and tillage practices may be employed.

SEC. 4. In carrying out the provisions of this joint resolution, the President is authorized to—

(a) Utilize and prescribe the duties and functions of the Soil Conservation Service of the Department of Agriculture, the Federal Emergency Relief Administration, the Farm Credit Administration, or other agencies within the Government, and to delegate to such agencies powers herein conferred;

(b) Authorize expenditures for supplies and equipment; travel expenses; rental at the seat of government and elsewhere; purchase, operation, and maintenance of motor-propelled passenger-carrying vehicles; printing and binding; and such other expenses as he may determine necessary to the accomplishment of the objectives of this joint resolution;

(c) Perform such acts and prescribe such regulations as he may deem proper to carry out the provisions of this joint resolution.

SEC. 5. If during the present drought and dust-storm emergency, a carrier subject to the Interstate Commerce Act shall, at the request of any agent of the United States authorized so to do, establish special rates for the benefit of drought and dust-storm sufferers, such a carrier shall not be deemed to have violated the Interstate Commerce Act with reference to undue preference or unjust discrimination by reason of the fact that it applies such special rates only to those designated as drought and dust-storm sufferers by the authorized agents of the United States or of any State.

Mr. FERGUSON. Mr. Speaker, to substantiate the proof that the present organizations are not meeting the existing emergency in a country that has absolutely no resources, I desire to read to the House a letter from the State administrator of relief in Oklahoma to one of the relief clients. The letter is as follows:

> Upon receipt of your recent letter of complaint relative to O. E. R. A. relief work, forwarded to us by Congressman PHIL FERGUSON, this office investigated your case and found that since February you have been called for work regularly. For the past 3 months you have averaged 2 days' work each month, and in April you received a garden-seed order for $2, also a grocery order for $3.

This would indicate that you have not been discriminated against but that you have been given fair treatment in the distribution of both work and direct relief in your county.

For your information, funds allocated to Oklahoma are so limited that 2 or 3 days' work per month is the average amount received by each client, most of whom have very large families, with no resources whatever except their pro rata share of work relief with some commodities. Until larger allocations are received, there is no way we can increase the proportionate share of relief to each client.

Those are the efforts that have been made by existing agencies to meet a situation that is as bad as any flood or tornado or physical catastrophe that may happen to a country. If the agencies in existence are not in a position to take care of starving people and livestock in those dust areas, I think it is the duty of this House to undertake the problem. Therefore I have introduced the above resolution.

[Here the gavel fell.]

PERMISSION TO ADDRESS THE HOUSE

Mr. EKWALL. Mr. Speaker, I ask unanimous consent to address the House for 10 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

Mr. DIRKSEN. Mr. Speaker, reserving the right to object, is this on the impeachment matter?

Mr. EKWALL. It is.

Mr. DIRKSEN. Mr. Speaker, I object.

Mr. EKWALL. If the gentleman does not want my statement in the RECORD, it is all right.

Mr. MONAGHAN. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Montana?

There was no objection.

RAILROAD RETIREMENT ACT

Mr. MONAGHAN. Mr. Speaker, I rise to call attention to what I consider a very fine and splendid dissenting decision handed down by Chief Justice Hughes and Justices Brandeis, Stone, and Cardozo, of the Supreme Court of the United States, pointing to the reasons why they believe the Railroad Retirement Act to be constitutional.

Realizing that many may not have taken the trouble to obtain the decision or scan it as contained in this morning's CONGRESSIONAL RECORD, inserted therein by Senator WAGNER, of New York, I take the liberty of pointing out a few of the splendid arguments advanced by Chief Justice Hughes.

A study of his decision convinces that the majority opinion was unprogressive, unconstitutional, and not correct. It should also convince the Democratic side of the House that it acted unwisely when it failed to favorably act upon H. R. 5161, which would have encouraged retirement of some of the reactionary judges of that Court by guaranteeing them a pension and by passing the bill which was presented to this Congress some weeks back and which would, it was believed, have created an opportunity for the President of the United States to appoint men more in accord with the great principles of progress of this day and age and of the new-deal policy of placing human rights above property rights.

I do not believe the decision of the majority endangered the security legislation at all as proposed by the administration, because it was even admitted by the President in his last splendid fireside chat to be for the future and not for the present. He said:

The program for social security now pending before the Congress is a necessary part of the future unemployment policy of the Government.

And again—

Provisions for social security, however, are protections for the future.

It is hardly conceivable that any employer or any industrialist, or any of those who usually challenge legislation enacted by the Congress of the United States, would submit themselves to the great cost of testing the security legislation, since it would not for some time to come, if ever, affect them favorably. It is regrettable, however, and I realize that it is possible, but not necessarily unavoidable under the Constitution of the United States, for one man, after thorough and scholarly consideration of legislation in committee, further consideration in the House, more study before signature by the Speaker, later judicial attention in committee of the Senate, study and debate for days and days or weeks and weeks on the floor of the Senate, and, finally, mature, complete, and deep analysis preceding signature by both the Vice President and the President of the United States, for one man to be able to virtually nullify the action of this entire group that represents the demos of democracy, if such exists, the voice of the people of the United States. I am saying it may be possible under the Constitution of the United States but it is unfortunate and regrettable and should be corrected.

Mr. O'CONNOR. Mr. Speaker, will the gentleman yield?

Mr. MONAGHAN. I yield to the distinguished Chairman of the Rules Committee.

Mr. O'CONNOR. One man can do that here. If the vote were 216 to 216, one man could stop any legislation in this country, let alone in this House.

Mr. MONAGHAN. I agree with the gentleman, and that is equally regrettable. [Laughter.]

However, the decision of dissent is worthy of note, and I am going to call your attention to excerpts taken from that masterful decision.

Mr. SISSON. Mr. Speaker, will the gentleman yield?

Mr. MONAGHAN. Yes; I yield to the gentleman from New York.

Mr. SISSON. Would the gentleman, perhaps, include in his argument—and I sympathize with it to a great extent—that the power of the Supreme Court to set aside an act of Congress is without express authority in the Constitution?

Mr. MONAGHAN. I agree with the gentleman. There is no express authority in the Constitution. The power is only implicit. Some students of the Constitution believe that the constitutional fathers intended it to exist. I will further say, however, if such constitutional power exists by precedent that tyrannical dictatorship could be at least partially cured by enactment of the bill presented yesterday by Mr. RAMSAY, which provides that the inferior courts of the United States and the courts of the several States shall have no jurisdiction to declare any act of Congress unconstitutional. This power shall only be exercised by the Supreme Court of Appeals of the United States whenever three-fourths of the membership of said court shall decide that an act of Congress is in violation of the Constitution or one of its amendments.

Mr. TRUAX. Mr. Speaker, will the gentleman yield?

Mr. MONAGHAN. I yield to the gentleman from Ohio.

Mr. TRUAX. The gentleman from New York [Mr. O'CONNOR] stated that one vote in the House could set aside legislation or defeat it. That is not quite true when it comes to the Private Calendar. Under the revision of the rules by the gentleman from New York it now takes two. [Laughter.]

Mr. MONAGHAN. I will say to the gentleman from Ohio that I am very delighted that that revision of the rules occurred, and for that the gentleman from New York [Mr. O'CONNOR] deserves great credit.

[Here the gavel fell.]

Mr. MONAGHAN. Mr. Speaker, I ask unanimous consent to proceed for 3 additional minutes.

The SPEAKER. Is there objection to the request of the gentleman from Montana?

There was no objection.

Mr. BLANTON. Mr. Speaker, will the gentleman yield?

Mr. MONAGHAN. I yield to the distinguished, liberty-loving, and liberty-championing gentleman from Texas [Mr. BLANTON].

Mr. BLANTON. Constitutional questions cannot be considered by the House. A bill could be unconstitutional, and everyone would know it, and yet you could not raise that question here in the House when the bill was passed. So it is necessary that there should be a court that can hold the Constitution intact and free from legislative assault.

Mr. MONAGHAN. Would it not save a great deal of the time of the Congress and of the President, however, and would it not save a great deal of the moneys of the people of the United States if we could call that august body before the committee that considered legislation and ask, "What do you think of this legislation", and let them point out specifically whether they are going to finally nullify or negative such legislation? Such is done in Massachusetts, I understand. In other words, the court is required to give an advisory opinion.

Mr. BLANTON. You cannot try a case until it reaches the Court.

Mr. MARCANTONIO. Mr. Speaker, will the gentleman yield?

Mr. MONAGHAN. I yield.

Mr. MARCANTONIO. Would it not be far better to have a constitutional amendment passed to the effect that the Supreme Court of the United States shall have no right to declare any law unconstitutional and do away with the precedent set by the decision in the Marbury against Madison case, which is the worst piece of autocracy ever legislated by any court into the constitution of a country?

Mr. BLANTON. Then we would have no government at all. We would have a Communist affair that would be worse than Russia. [Loud applause.]

Mr. MARCANTONIO. I would rather take my chances with the representatives of the people than with nine men appointed for life.

Mr. MONAGHAN. Mr. Speaker, I agree with the gentleman from New York regarding a constitutional amendment and hope it is adopted. Returning to the Supreme Court's decision in the Railroad Retirement Act we find that the Court reverses itself. Justice Hughes says in that connection:

> We have sustained a unitary or group system under State compensation acts against the argument under the due-process clause of the fourteenth amendment (*Mountain Timber Co.* v. *Washington, supra*).

The due-process clause which has been used to destroy American liberty rather than to preserve it. He continues:

> The Washington Compensation Act established a State fund for the compensation of workmen injured in hazardous employment, and the fund was maintained by compulsory contributions from employers in such industries. While classes of industries were established, each class was made liable for the accidents occurring in that class. The Court described the law as so operating that "the enforced contributions of the employer are to be made whether injuries have befallen his own employees or not, so that however prudently one may manage his business, even to the point of immunity to his employees from accidental injury or death, he nevertheless is required to make periodical contributions to a fund for making compensation to the injured employees of his perhaps negligent competitors" (id., pp. 236, 237). The statute was sustained in the view that its provisions did not rest upon the wrong or neglect of employers, but upon the responsibility which was deemed to attach to those who conducted such industries. The Court concluded "that the State acted within its power in declaring that no employer should conduct such an industry without making stated and fairly apportioned contributions adequate to maintain a public fund for indemnifying injured employees and the dependents of those killed, irrespective of the particular plant in which the accident might happen to occur" (id., p. 244). We followed the reasoning which had led to the upholding of State laws imposing assessments on State banks generally in order to create a guaranty fund to make good the losses of deposits in insolvent banks (*Noble State Bank* v. *Haskell*, 219 U. S. 104. See *Abie State Bank* v. *Bryan*, 282 U. S. 765).
>
> But, aside from these analogies, this Court has directly sustained the grouping of railroads for the purpose of regulation in enforcing a common policy deemed to be essential to an adequate national system of transportation, even though it resulted in taking earnings of a strong road to help a weak one. This was the effect of the recapture clause of Transportation Act, 1920, which required carriers to contribute their earnings in excess of a certain amount in order to provide a fund to be used by the Interstate Commerce Commission in making loans to other carriers.

Mr. HOFFMAN. Mr. Speaker, will the gentleman yield for a question?

Mr. MONAGHAN. Yes.

Mr. HOFFMAN. If the gentleman thinks there is too much arbitrary power vested in one man, what about granting the Secretary of Agriculture the power to fix prices for the farmers and to license farmers—is that proper?

Mr. MONAGHAN. No; I do not agree with that policy. I believe if we were to pass laws here that would create demand for the farmers' commodities, we would not have to be indulging in the various useless and vain act of destroying the crops of the country. To continue the subject under discussion:

> Within a space of 40 years the Supreme Court—
>
> Says Dr. John A. Ryan in Declining Liberty and Other Papers—
>
> has read into the words "liberty and property", in the fifth and fourteenth amendments, a new meaning, namely, an excessive and unjust freedom of contract. Owing to this process of amending the Constitution by judicial construction, 8-hour laws, minimum-wage laws, and other legislation for the protection of labor have been nullified. So profound and far-reaching has been the effect of these decisions that Prof. Arthur N. Holcome, of Harvard, feels justified in describing the change in these terms: "Thus the Supreme Court read into the Federal Constitution an interpretation of the liberty of the due-process clause by which the utilitarians' philosophical idea of liberty was substituted for the specific juristic liberty of the men who wrote the Constitution."

It is clearly a process of supporting legal economic oppression under the guise of safeguarding individual liberty. Decisions of the Supreme Court dealing with progressive legislation almost invariably have been unfavorable and their declaration of unconstitutionality based upon a wrong philosophy of life—a philosophy of rugged individualism on bare 4- to 5-decisions. Outstanding cases of this character are: *Lochner* v. *New York; Coppage* v. *Kansas; The Hitchman Coal & Coke Co.* v. *Mitchell et al.;* and the District of Columbia minimum-wage case. In these cases the Supreme Court decided that laws for the protection of the weak were unconstitutional and in violation of the fifth and fourteenth amendments to the Constitution. They speak in high-sounding phrase of the freedom of the employer; but what of the freedom of the employee? The employee is not free to work or not. There are millions of unemployed and man is not a drudge. Thus the protection of private interest was promoted by declaring a law unconstitutional which prevented bakers from being employed more than 10 hours a day, which prohibited employers to dismiss employees because of membership in labor unions, and forbidding the employment of women at less than living wages. These laws supposedly deprived the employer of his great liberty. What liberty? The liberty to crush the weak under the iron heel of oppression, of greed, and of selfishness?

Chief Justice Hughes points out the apparent inconsistency of setting aside the contributory-negligence and fellow-servant rule and assumption-of-risk doctrine which occurred in the case of the *St. Louis & Iron Mountain Railway Co.* v. *Taylor, Baltimore & Ohio R. R. Co.* v. *Interstate Commerce Commission, Wilson* v. *New,* and *Texas & New Orleans R. R. Co.* v. *Railway Clerks,* and at the same time failed to permit protection of the employees who have reached a retirement age. To note his language, he specifically states:

> If Congress may supply a uniform rule in the one case, why not in the other? If affording certainty of protection is deemed to be an aid to efficiency, why should that consideration be ruled out with respect to retirement allowances and be admitted to support compensation allowances.

In that connection he further pursues his reasoning to its logical conclusion and says:

> An attempted distinction as to pension measures for employees retired by reason of age because old age is not in itself a consequence of employment, is but superficial. The common judgment takes note of the fact that the retirement of workers by reason of incapacity due to advancing years is an incident of employment and that a fair consideration of their plight justifies retirement allowances as a feature of the service to which they have long been devoted. What sound distinction, from a constitutional standpoint, is there between compelling reasonable compensation for those injured without any fault of the employer and requiring a fair allowance for those who practically give their lives to the service and are incapacitated by the wear and tear of time, the attrition of the years?

The false philosophy which motivated the majority decision is no better illustrated than by the weakness pointed to by Chief Justice Hughes, when he says:

Congress may, indeed, it seems to be assumed, compel the elimination of aged employees. A retirement act for that purpose might be passed. But not a pension act. The Government's power is conceived to be limited to a requirement that the railroads dismiss their superannuated employees, throwing them out helpless, without any reasonable provision for their protection.

And he concludes the opinion with the following language:

The power committed to Congress to govern interstate commerce does not require that its government should be wise, much less that it should be perfect. The power implies a broad discretion and thus permits a wide range even of mistakes. Expert discussion of pension plans reveals different views of the manner in which they should be set up, and a close study of advisable methods is in progress. It is not our province to enter that field, and I am not persuaded that Congress in entering it for the purpose of regulating interstate carriers, has transcended the limits of the authority which the Constitution confers.

It was the belief of the Chief Justice and he so stated on the first page of his opinion that the majority finally raise a barrier against all legislative action of this nature by declaring that the subject matter itself lies beyond the reach of the congressional authority to regulate interstate commerce. In that view, no matter how suitably limited a pension act for railroad employees might be with respect to the persons to be benefited, or how appropriate the measure of retirement allowances, or how sound actuarily the plan, or how well adjusted the burden, still under this decision Congress would not be at liberty to enact such a measure.

Referring to the proposal that an act of Congress passed by the Congress and signed by the President, or over his veto, shall not become invalid unless declared so by three-fourths of the Supreme Court, permit me to refer back to the opinion wherein Supreme Court Justice Sutherland said:

This Court, by an unbroken line of decisions from Chief Justice Marshall to the present day, has steadily adhered to the rule that every possible presumption is in favor of the validity of an act of Congress until overcome beyond rational doubt. (Minimum-wage case of the District of Columbia.)

When 4 justices hold tenaciously to constitutionality, how can 5 believe the matter to be beyond rational doubt? Surely they believe their associates to be reasonable men, and if such, then the matter of constitutionality is in such case a matter of rational doubt. Again, if every possible presumption is to be accorded the constitutionality of a measure, then we should place around that presumption safeguards that would make it real and not a matter of mere majority opinion. It is true, however, that the constitutional amendment suggested of compelling the decision to at least be by a three-fourths vote may not guarantee the presumption, but it would at least remove a measure of the injustice that does exist. In fact it would seem that the better way to guarantee the presumption would be to require that the Court be unanimous in its decision in order to make a statute unconstitutional.

It is believed by Dr. John A. Ryan, a very astute student of this problem, that this difficulty, especially as it affects industrial or labor legislation may be overcome by direct legislative action of the Congress without resorting to constitutional amendment, and with that in mind I shall introduce shortly a bill which so provides.

The basis of this hope—

Says Dr. Ryan—

lies in article III, section 2, paragraph 2 of the Federal Constitution, which declares: "In all the other cases before mentioned, the Supreme Court shall have appellate jurisdiction, both as to law and fact, with such exceptions, and under such regulations as the Congress shall make." It should be noted that cases involving the constitutionality of minimum wage laws and all other forms of industrial legislation come before the Supreme Court on appeal from an inferior tribunal. When the Court pronounces such a law, constitutional or unconstitutional, it is exercising "appellate jurisdiction." Since the words just quoted from the Constitution declare that this jurisdiction shall be exercised by the Court "with such exceptions, and under such regulations, as the Congress shall make", there is very good reason to hold that Congress has the constitutional power to regulate the procedure of the Court. Congress apparently can require a seven-ninths or an eight-ninths, or even a unanimous vote, in order to declare laws unconstitutional. At any rate, the Supreme Court could construe this provision in this sense, without stretching its meaning as far as it has expanded the content of many other clauses in the Constitution.

It is for that reason that I raise my voice today. I believe one of two things should be done, and in this emergency I say that which some believe to be the more drastic thing, but which was done for a less noble purpose during the administration of President Grant, and that is that the President of the United States should add to that all-wise and omnipotent body a sufficient number of new members to give force and effect to the decrees and policies of economic recovery and the progressive principles which the American people so emphatically declared to be their will in the last election.

[Here the gavel fell.]

Mr. MONAGHAN. Mr. Speaker, I ask unanimous consent to extend my remarks and to include therein such excerpts from the dissenting opinion of the Supreme Court as I may select.

The SPEAKER. Is there objection to the request of the gentleman from Montana?

There was no objection.

### UNFAIR CRITICISMS OF THIS ADMINISTRATION

Mr. BEITER. Mr. Speaker, I ask unanimous consent to address the House for 10 minutes.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. BEITER. Mr. Speaker, in recent months I have often been impatient with unfair criticisms and misrepresentations of the policies and purposes of the national administration. But I have tried also to realize that many, confused and uncertain as to what is actually being done and what are the objects of the Government, are honestly in fear of the destruction of liberty by public officials who are in fact just as honestly doing all in their power to preserve our constitutional liberties.

It makes me writhe to see the propaganda being spread by former President Herbert Hoover which would lead us to believe we are in danger of losing our individualism.

Recently he addressed the California Conference of Social Workers in which he said:

The people must be taught to cling to their family life, to their homes, to their individual self-respect, to their rights, to their individual liberties.

They must be taught not to change their souls and spirits for the fallacious promises of material comforts. It is the unfailing record of mankind that in such an exchange the individual finds himself robbed of all that he had, both spiritually and materially.

Our people are not ready to be turned into a national zoo, our citizens classified, labeled, and directed by a form of self-approved keepers.

I rest content that the people of the country will decide for themselves whether they care to intrust their sacred liberties to the reckless crew of pirates who ran riot with the destinies of the people in the Hoover period of quicksand prosperity, or whether they will trust their destiny to the understanding leadership of Franklin D. Roosevelt.

With 4 years of dreadful ruin behind him, and because of him, Mr. Hoover now assumes that he alone knows what should be done today.

There is scarcely a single family between the seas that does not recall his record while he was engaged in "the elimination of poverty" and in putting "two chickens in every pot."

And when the financial structure of the Nation was tottering, when industry was languishing, when agriculture was in bankruptcy, when 14,000,000 breadwinners were denied their right to work, what had this pretentious prophet, Mr. Hoover, to propose?

Where was his wisdom then?

Who is this solemn-faced gentleman who warns our people by saying they are not ready to be turned into a national zoo and directed by a form of self-approved keepers?

You will remember the vicious greed of the greatest wildcat market speculation that this country has ever known. You will recall the bulls and the bears with their "rule or ruin" policy.

What the elephant—the symbol of the Old Guard—wants is "parrotlike" men in office who will be "satisfac-

tory." What they want is a "gorilla" grip on affairs of the country for the profit of a few of the large bankers.

You will recall that powerful banks, custodians of the people's hard-earned money, were so busy with speculation that they had no money to loan for legitimate business enterprise. You have not forgotten how that false prosperity on paper, in which a few grew rich on the credulity of the many, was held forth as a proof of the capacity of these critics to rule. You must remember that instead of seeking to moderate the madness, the Government, dominated by these critics, gave every possible encouragement to the debauch by issuing officially false and misleading statements. And you will remember the inevitable crash, for the page that records that tragedy will ever remain one of the blackest in our history.

You will remember—for you cannot forget such things in 2 short years—the resulting crash of banks, crushing the hopes of millions whose life savings were thus swept away.

And in those days of despairing misery in this land of plenty, what single intelligent plan did Mr. Hoover or any other of his minor figures in the mockery of present-day criticism advance to meet the gravest crisis we have ever known?

I challenge contradiction—they did not advance a single idea, and I offer the national zoo of the former administration stocked with its elephant, its wildcat, its bulls and bears, its parrot-like advisers for observation and amusement.

Let me stir your memory again: is it not true that this old gang of the Old Guard that now urges you back to the sterile days of Hooverism, sat dazed by the magnitude of the ruin their lack of policy had wrought, silent in their fear, twirling their thumbs, in the nervous apprehension of their utter helplessness?

Do they want to go back to a system of cutthroat competition which rewards the sweatshop operator? Do they want to chance another period of economic stagnation in which employees are turned into the streets, bereft of purchasing power or hope? Do they prefer a society in which the aged are paupers and nonconsumers of industry's goods?

Only last week, one after another, speakers mounted the rostrum at the United States Chamber of Commerce meeting and assailed the new deal, which rescued American business from bankruptcy.

The gratitude of these business orators is exceeded only by their short-sightedness.

"We cannot have recovery and reform both, Mr. President", they say. "Let us alone and we will give you recovery. Then reform can come later. Quit meddling with the banks. Quit bothering the utilities. Quit spending so much money."

Strangely the speakers never attempt to explain how, if reforms had not come first, business could ever have gained the measure of recovery that now blesses it. They do not mention the obvious truth that the Nation's banks are today open and doing business with a confident public largely because the administration first overhauled the banking structure.

Business was left alone by the Hoover administration. Did it bring recovery? What was the status of the farm industry and the oil industry before the new-deal production control reforms? What was the value of farm and home mortgages before the Government stepped in? What confidence did the public have in the securities market before the Government put check reins on the manipulators?

Recovery, these business men admit, depends largely upon public confidence. They have not yet discovered that public confidence depends largely upon reforms.

But in justice to their mentality I sometimes wonder if they were as dumb as they seemed. I have sometimes thought that they preferred to stand pat on their policies, which built up a system of privilege whereby a small group waxed wealthy while the average man lost his birthright, rather than correct the wrongs on which they thrived, in the desperate hope that the storm would pass, and that with the system of privilege intact the exploitation of the millions might go on.

At any rate, you well remember how the army of the unemployed increased, how the bank failures constantly accelerated, how the bankruptcies of merchants multiplied; how hard-earned homes were swept away; how month by month more factory wheels stopped turning; how day by day the farmers were dispossessed, and week by week the line of jobless lengthened.

The other type of opposition is the pettifogging insistence upon the right of one individual to have his special economic interest protected against the overwhelming mass of general economic interests which must then be sacrificed for his particular benefit. The distress of one person may make an appealing newspaper story. It may permit a political or judicial demagogue to make a stump speech upholding the rights of the "little fellow." But when millions of men walk the streets unemployed and millions have been put to work principally by establishing decent labor standards, it is mighty poor citizenship to attempt to strengthen the powers of individuals, to break down such standards of wages and hours, on the specious plea that in a particular instance a few more men might be employed at sweatshop wages. [Applause.] To preserve the liberty of a few to work under bad conditions and thereby to sacrifice liberty of the many to work under decent conditions, is to strain at a very small gnat and swallow a very large camel. Two more animals to be added to Mr. Hoover's zoo.

It will not be necessary for me to recite the story of the Roosevelt administration; how it came to the rescue of the banking situation; how it came to the rescue of the distressed home owner; how it came to the rescue of the impoverished farmer; how it came to the rescue of business; how it swept away the fog of unreasoning fear and gave the average man the feeling of hope that here at last was a leader who could lead, a President who would pilot us out of the storms that were shaking the ship of state from stem to stern.

Mr. DUNN of Pennsylvania. Will the gentleman yield?

Mr. BEITER. I yield.

Mr. DUNN of Pennsylvania. The gentleman should not forget to mention that under President Roosevelt over 800,000 homes of poor people have been saved.

Mr. BEITER. Charges have been made recently that the Democratic Party has taken away the liberty of the American people. What a ridiculous charge to make against a party of which human liberty has always been one of the most important aims. One hundred and forty years ago Thomas Jefferson first formulated the liberal doctrines that definitely established the principles from which the Democratic Party was organized. That party has survived. It has lived through 1 domestic and 4 foreign wars. It has lived through economic depressions; it has lived through periods of business prosperity. It has lived because it has served. Wealth has not dulled its conscience, nor want subdued it.

The freedom which we must seek and must preserve in the modern world is not the freedom of a wild beast to hunt alone and fight a world of enemies. It is the freedom of a civilized man to live in a well-organized community where he works with and for his fellow men, where he fulfills obligations to them and they in turn fulfill their obligations to him. Those ancient liberties for which mankind has always struggled are just as precious, just as well worth fighting for today as they ever were. But we must restrain and discipline ourselves more and more in order to enjoy the advantages of modern life and to preserve our freedom and security in this modern world. [Applause.]

### BANKING ACT OF 1935

Mr. STEAGALL. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7617) to provide for the sound, effective, and unin-

terrupted operation of the banking system, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union, with Mr. WOODRUM in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. The Clerk will read the bill for amendment.

The Clerk began the reading of the bill.

Mr. HANCOCK of North Carolina. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. HANCOCK of North Carolina. Is the bill to be read by subdivisions or sections?

The CHAIRMAN. By sections.

Mr. HOLLISTER. Does the Chair mean that the 43 pages of title I will be read before any amendment is offered?

The CHAIRMAN. Yes.

Mr. WOLCOTT. Title I is section 101.

Mr. McCORMACK (interrupting the reading). Mr. Chairman, everybody knows what title I is, and I ask unanimous consent that further reading of that title be dispensed with and it be printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Title I is as follows:

TITLE I—FEDERAL DEPOSIT INSURANCE

SECTION 101. Section 12 B of the Federal Reserve Act, as amended (U. S. C., Supp. VII, title 12, sec. 264), is further amended as follows:

1. By striking out subsection (a) and inserting in lieu thereof the following:

"(a) There is hereby created a Federal Deposit Insurance Corporation (hereinafter referred to as the 'corporation'), which shall insure, as hereinafter provided, the deposits of all banks which are entitled to the benefits of insurance under this section, and which shall have the right to exercise all powers hereinafter granted."

2. By adding at the end of subsection (b) the following: " In the event of a vacancy in the office of the Comptroller of the Currency, and pending the appointment of his successor, the Acting Comptroller of the Currency shall be a member of the board of directors in the place and stead of the Comptroller. In the absence of the Comptroller of the Currency any Deputy Comptroller of the Currency, as designated from time to time by the Comptroller, may, within the limits prescribed by the Comptroller, act as a member of the board of directors in his place and stead. In the event of a vacancy in the office of the chairman of the board of directors, and pending the appointment of his successor, the Comptroller of the Currency shall act as chairman. The Comptroller of the Currency shall be ineligible during the time he is in office and for 2 years thereafter to hold any office, position, or employment in any insured bank. The appointive members of the board of directors shall be ineligible during the time they are in office and for 2 years thereafter to hold any office, position, or employment in any insured bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed. No member of the board of directors shall be an officer or director of any bank, banking institution, trust company, or Federal Reserve bank or hold stock in any bank, banking institution, or trust company; and before entering upon his duties as a member of the board of directors he shall certify under oath that he has complied with this requirement and such certification shall be filed with the secretary of the board of directors. No member of the board of directors serving on the board of directors at the effective date shall be subject to any of the provisions of the three preceding sentences until the expiration of his present term of office."

3. By inserting a new subsection to read as follows:

"(c) As used in this section—

"(1) The term 'State bank' means any bank, banking association, trust company, savings bank, or other banking institution which is engaged in the business of receiving deposits and which is incorporated under the laws of any State or the Territory of Hawaii or Alaska or which is operating under the Code of the District of Columbia (except a national bank).

"(2) The term 'State member bank' means any State bank which is a member of the Federal Reserve System, and the term 'State nonmember bank' means any other State bank.

"(3) The term 'District bank' means any State bank operating under the Code of the District of Columbia.

"(4) The term 'national member bank' means any national bank located in the States of the United States, the District of Columbia, or the Territories of Hawaii or Alaska, except a national nonmember bank as hereinafter defined.

"(5) The term 'national nonmember bank' means any national bank located in the Territories of Hawaii or Alaska which is not a member of the Federal Reserve System.

"(6) The term 'mutual savings bank' means a bank without capital stock transacting a savings bank business, the net earnings of which inure wholly to the benefit of its depositors after payment of obligations for any advances by its organizers.

"(7) The term 'savings bank' means a bank, other than a mutual savings bank, transacting a strictly savings bank business under State laws imposing special requirements on such banks governing the manner of investing their funds and of conducting their business: *Provided*, That the bank maintains, until maturity date or until withdrawn, all deposits made with it, exclusive of funds held by it in a fiduciary capacity, as time savings deposits of the specific term type or of the type where the right to require written notice before permitting withdrawal is reserved: *Provided further*, That such bank to be considered a savings bank must elect to become subject to regulations of the corporation respecting the redeposit of maturing deposits and prohibiting withdrawal of deposits by checking except from specifically designated deposit accounts totaling not more than 15 percent of the bank's total deposits.

"(8) The term 'insured bank' means any bank the deposits of which are insured in accordance with the provisions of this section, and the term 'noninsured bank' means any other bank.

"(9) The term 'new bank' means a new national banking association organized by the corporation to assume the insured deposits of an insured bank closed on account of inability to meet the demands of its depositors and otherwise to perform temporarily the functions prescribed in this section.

"(10) The term 'receiver' shall include a receiver, liquidating agent, conservator, commission, person, or other agency charged by law with the duty of winding up the affairs of a bank.

"(11) The term 'board of directors' means the board of directors of the corporation.

"(12) The term 'deposit' means the unpaid balance of money or its equivalent received by a bank in the usual course of business and for which it has given or is obligated to give unconditional credit to a commercial, checking, savings, time or thrift account, or which is evidenced by its certificate of deposit, and trust funds held by such bank whether retained or deposited in any department of such bank or deposited in another bank, together with such other obligations of a bank as the board of directors shall find and shall prescribe by its regulations to be deposit liabilities by general usage: *Provided*, That any obligation of a bank which is payable only at an office of the bank located outside the States of the United States, the District of Columbia, and the Territories of Hawaii and Alaska shall not be a deposit for purposes of this section or be included as a part of total deposits or of an insured deposit. The board of directors may by regulation further define the terms used in this paragraph.

"(13) The term 'insured deposit' means such part of the net amount of money due to any depositor for deposits in an insured bank, after deducting offsets, as shall not exceed the maximum prescribed by paragraph (1) of subsection (l) of this section. Such amount shall be determined according to such regulations as the board of directors may prescribe. In determining the amount due to any depositor there shall be added together all deposits in the bank maintained in the same capacity and the same right for his benefit either in his own name or in the names of others, except trust funds which shall be insured as provided in paragraph (8) of subsection (h) of this section.

"(14) The term 'transferred deposit' means a deposit in a new bank or other insured bank made available to a depositor by the corporation as payment of the insured deposit of such depositor in a closed bank, and assumed by such new bank or other insured bank.

"(15) The term 'effective date' means the date of enactment of the Banking Act of 1935."

4. By striking out in subsection (c) "(c)" and inserting "(d)"; by striking out in said subsection (c) that part of the third sentence following the words "Federal Reserve banks" in said sentence and inserting a period; by striking out in subsection (d) "(d)" and the first four sentences of said subsection (d); and by striking out in the fifth sentence of said subsection the following: "class B"; and by inserting at the end of subsection "(d)" the following: "The capital stock of the corporation shall consist of the shares subscribed for prior to the effective date. Such stock shall be without nominal or par value, and shares issued prior to the effective date shall be exchanged and reissued at the rate of one share for each $100 paid into the corporation for capital stock. The consideration received by the corporation for the capital stock shall be allocated to capital and to surplus in such amounts as the board of directors shall prescribe. Such stock shall have no vote and shall not be entitled to the payment of dividends."

5. By striking out subsection (e) and inserting in lieu thereof the following:

"(e) (1) Every operating member bank, including a bank incorporated since March 10, 1933, licensed on or before the effective date by the Secretary of the Treasury shall be and continue without application or approval an insured bank and shall be subject to the provisions of this section.

"(2) After the effective date any national member bank authorized to commence or resume the business of banking, State bank converting into a national member bank, or State bank be-

coming a member of the Federal Reserve System shall be an insured bank from the time the certificate herein prescribed shall be issued to the corporation by the Comptroller of the Currency in the case of such national member bank, or by the Federal Reserve Board in the case of such State member bank: *Provided*, That in the case of an insured bank admitted to membership in the Federal Reserve System or insured State bank converting into a national member bank, such certificate shall not be required, and the bank shall continue as an insured bank. Such certificate shall state that the bank is authorized to transact the business of banking in the case of a national member bank, or is a member of the Federal Reserve System in the case of a State member bank, and that consideration has been given to the factors enumerated in subsection (g) of this section."

6. By striking out subsection (f) and inserting in lieu thereof the following:

"(f) (1) Every bank not a member of the Federal Reserve System which on the effective date is a member of the Temporary Federal Deposit Insurance Fund or of the Fund for Mutuals created pursuant to the provisions of the Banking Act of 1933, as amended (48 Stat. 168, 969; chs. 89, 546), shall be and continue without application or approval an insured bank and shall be subject to the provisions of this section, unless in accordance with regulations to be prescribed by the board of directors such bank shall give to the corporation and to the Reconstruction Finance Corporation, if it owns or holds as pledgee any preferred stock, capital notes, or debentures of such bank, within 30 days after the effective date written notice of its election not to continue after June 30, 1935, as an insured bank and shall give to its depositors, by publication or by any reasonable means, as the board of directors may prescribe, not less than 20 days' notice prior to June 30, 1935, of such election: *Provided*, That any State nonmember bank which was admitted to said Temporary Federal Deposit Insurance Fund or Fund for Mutuals but which did not file on or before the effective date on October 1, 1934, certified statement and make the payments thereon required by law as it existed prior to the effective date, shall cease to be an insured bank on June 30, 1935: *Provided further*, That no bank admitted to the said Temporary Federal Deposit Insurance Fund or the Fund for Mutuals prior to the effective date shall, after June 30, 1935, be an insured bank or have its deposits insured by the corporation, if such bank shall have permanently discontinued its banking operations prior to the effective date. Deposits of the bank giving such notice shall continue to be insured until June 30, 1935, and the rights of the bank shall be as provided by law existing prior to the effective date, and such bank shall not be insured by the corporation beyond June 30, 1935.

"(2) Subject to the provisions of this section, any national nonmember bank, on application by the bank and certification by the Comptroller of the Currency in the manner prescribed in subsection (e) of this section, and any State nonmember bank, upon application to and examination by the corporation and approval by the board of directors, may become an insured bank. Before approving the application of any such State nonmember bank, the board of directors shall give consideration to the factors enumerated in subsection (g) of this section and shall determine, upon the basis of a thorough examination of such bank, that its assets in excess of its capital requirements are adequate to enable it to meet all of its liabilities as shown by the books of the bank to depositors and other creditors."

7. By striking out subsection (g) and inserting in lieu thereof the following:

"(g) The factors to be enumerated in the certificate required under subsection (e) and to be considered by the board of directors under subsection (f) shall be the financial condition of the bank and the adequacy of its capital structure."

8. By striking out subsection (h) and inserting in lieu thereof the following:

"(h) (1) The assessment rate shall be one-eighth of 1 percent per annum based upon the average of the total amount of the liability of the bank for deposits (according to the definition of the term 'deposits' in and pursuant to paragraph (12) of subsection (c) of this section, without any deduction for indebtedness of depositors). The average of such total shall be determined as of the close of business on one day of each of 3 or more months preceding July and January of each year, such days to be designated by the directors in the manner provided in the next succeeding paragraph. In the event a separate fund for mutuals be established, the board of directors from time to time may fix a lower rate operative for such period as the board may determine applicable to insured mutual savings banks only.

"(2) During the months of June and December of each year the board of directors shall designate 3 or more dates, one in each of 3 or more months of the current semiannual period, for which the insured banks shall report their deposit liabilities for the purpose of assessment. On or before the 15th day of July of each year, each insured bank shall file with the corporation a certified statement under oath showing the total amount of its liability for deposits as of the close of business on the 3 or more days so designated and shall pay to the corporation the portion of the annual assessment equal to one-half of the annual rate fixed by this subsection (h) multiplied by the average of its total deposits for such days as are designated. On or before the 15th day of January of each year each insured bank shall file a like statement showing the total amount of its liability for deposits as of the close of business on the 3 or more days designated as hereinbefore provided, and shall pay to the Corporation the portion of the annual assessment equal to one-half of the annual rate fixed by this subsection (h) multiplied by the average of its total deposits for such days as are designated.

"(3) Every bank which becomes an insured bank after the effective date shall be admitted without liability for the current semiannual payment but it shall file with the corporation a certified statement under oath showing the total amount of its liability for deposits at the close of business on the fifteenth day after it becomes an insured bank and it shall pay to the corporation as an initial assessment the prorated portion for the period between the date such bank became an insured bank and the next succeeding last day of June or December, as the case may be, of an amount equal to one-half the annual assessment rate provided in this section multiplied by such total deposits. The first semiannual payment after the initial payment shall be made according to the provisions of paragraphs (1) and (2) of this subsection in all cases where the bank shall have been in operation throughout the preceding semiannual period and in all other cases according to its certified statement under oath showing the deposit liability at a date designated by the board of directors.

"(4) Each bank which shall be and continue without application or approval an insured bank in accordance with the provisions of subsection (e) or (f) of this section, shall, in lieu of all right to refund, be credited with any balance to which such bank shall become entitled upon the termination of said temporary Federal deposit-insurance fund or the fund for mutuals. The credit shall be applied by the corporation toward the payment of the assessment next becoming due from such bank and upon succeeding assessments until the credit is exhausted.

"(5) Any insured bank which fails to file such certified statement or statements as it is lawfully required to file in connection with determining the amount of assessment or assessments due the corporation, may be compelled to file such statement or statements by mandatory injunction or other appropriate remedy in a suit brought by the corporation against the bank and any officer or officers thereof, for the purpose stated, in any court of the United States of competent jurisdiction in the district or territory in which such bank is located.

"(6) The corporation, in a suit brought at law or in equity in any court of competent jurisdiction, shall be entitled to recover from any insured bank any unpaid assessment or assessments lawfully due from such insured bank to the corporation, regardless of whether or not such bank shall have filed the certified statement or statements it is lawfully required to file, and regardless of whether or not suit shall have been brought to compel such statement or statements to be filed.

"(7) Should any national member bank now or hereafter organized, or should any national nonmember bank which is now or hereafter becomes an insured bank, omit to file any certified statement required to be filed by such bank under any provision of this section, or to pay the assessment required to be paid under any provision of this section by such bank on any certified statement filed by it, and should any such bank not correct such omission to file or to pay within 30 days after written notice has been given by the corporation to an officer of the bank, citing this paragraph, and stating that the bank has omitted to file or pay as required by law, all the rights, privileges, and franchises of the offending bank granted to it under the National Bank Act or under the provisions of the Federal Reserve Act, as amended, shall be thereby forfeited. Whether or not the penalty provided in this paragraph has been incurred shall be determined and adjudged in the manner provided in the sixth paragraph of section 2 of this act, as amended. The remedies provided in this paragraph and in the two preceding paragraphs shall not be construed as limiting any other remedies against any bank, but shall be in addition thereto.

"(8) Trust funds held by an insured bank in a fiduciary capacity, whether held in its trust or deposited in any other department or in another bank, shall be insured subject to a $5,000 limit for each trust estate, and when deposited by the fiduciary bank in another insured bank shall be similarly insured to the fiduciary bank according to the trust estates represented. Notwithstanding any other provision of this section, such insurance shall be separate from and additional to that covering other deposits of the owners of such trust funds or beneficiaries of such trust estates: *Provided*, That where the fiduciary bank deposits any of such trust funds in other insured banks, the amount so held by other insured banks on deposit shall not for the purpose of the certified statement required under paragraph (2) or (3) of subsection (h) of this section, be considered to be a deposit liability of the fiduciary bank, but shall be considered a deposit liability of the bank in which such funds are so deposited by such fiduciary bank. The board of directors shall have power by regulation to prescribe the manner of reporting and of depositing such funds."

9. By striking out subsection (i) and inserting in lieu thereof the following:

"(i) (1) Any insured bank (except a national member bank or State member bank) may, upon not less than 90 days' written notice to the corporation, and to the Reconstruction Finance Corporation if it owns or holds as pledgee any preferred stock, capital notes, or debentures of such bank, terminate its status as an insured bank. Wherever the board of directors shall find that an insured bank or its directors or trustees have continued unsafe or unsound practices in conducting the business of such bank or have knowingly or negligently permitted any of its officers or agents to violate any provision of this section or of any material regulation made thereunder, or of any law or material regulation made pursuant to law to which the insured bank is subject, the board of directors shall first give to the Comptroller of the Currency in the case of a national bank or district bank, to the au-

thority having supervision in case of a State bank, and also to the Federal Reserve Board in case of a State member bank, a statement of such violation by the bank for the purpose of securing a correction of such practices or conditions. Unless such correction shall be made within 120 days or such shorter period of time as the Comptroller of the Currency, the State authority, or Federal Reserve Board, as the case may be, shall require, the board of directors, if it shall determine to proceed further, shall give to the bank not less than 30 days' written notice of intention to terminate the status of the bank as an insured bank, fixing a time and place for a hearing before the board of directors or before a person designated by it to conduct such hearing, at which evidence may be produced, and upon such evidence the board of directors shall make written findings which shall be conclusive. Unless the bank shall appear at the hearing by a duly authorized representative, it shall be deemed to have consented to the termination of its status as an insured bank. If the board of directors shall find that any violation specified in such notice has been established, the board of directors may order that the insured status of the bank be terminated on a date subsequent to such finding and to the expiration of the time specified in such notice of intention. The Corporation may publish notice of such termination and the bank shall give notice of such termination to its depositors, in such manner and at such time as the board of directors may find necessary and may order for the protection of depositors. After termination of the insured status of any bank under the provisions of this paragraph, the insured deposits of each depositor in the bank on the date of such termination, less all subsequent withdrawals from any deposits of such depositor, shall continue for a period of 2 years to be insured and the bank shall continue to pay to the corporation assessments as in the case of an insured bank for such period of 2 years from such termination, but no additions to any deposits or any new deposits shall be insured by the corporation, and the bank shall not advertise or hold itself out as having insured deposits unless in the same connection it shall state with equal prominence that additions to deposits and new deposits made after the date of such termination, specifying such date, are not insured. Such bank shall in all other respects be subject to the duties and obligations of an insured bank for the period of 2 years from such termination and in the event of being closed on account of inability to meet the demands of its depositors within such period of 2 years, the corporation shall have the same powers and rights with respect to such bank as in case of an insured bank.

"(2) Whenever the insured status of a member bank shall be terminated by action of the board of directors, the Federal Reserve Board in the case of a State member bank shall terminate its membership in the Federal Reserve System in accordance with the provisions of section 9 of this act, and in the case of a national member bank, the Comptroller of the Currency shall appoint a receiver for the bank (to be the corporation whenever the bank shall be unable to meet the demands of its depositors).

"(3) When the liabilities of an insured bank for deposits shall have been assumed by another insured bank or banks, the insured status of the bank whose liabilities are so assumed shall terminate on the date of receipt by the corporation of satisfactory evidence of such assumption with like effect as if terminated on said date by the board of directors after proceedings under paragraph (1) of this subsection (1): *Provided*, That if the bank whose liabilities are so assumed gives to its depositors notice of such assumption within 30 days after such assumption takes effect, by publication or by any reasonable means, in accordance with regulations to be prescribed by the board of directors, the insurance of its deposits shall terminate at the end of 6 months from the date such assumption takes effect and such bank shall be relieved of all future obligations to the corporation, including the obligation to pay future assessments."

10. By adding at the end of paragraph "Fourth" of subsection (j) the following: "All suits of a civil nature at common law or in equity to which the Federal Deposit Insurance Corporation shall be a party shall be deemed to arise under the laws of the United States: *Provided*, That any such suit to which the corporation is a party in its capacity as receiver of a State bank and which involves only the rights or obligations of depositors, creditors, stockholders, and such State bank under State law shall not be deemed to arise under the laws of the United States. No attachment or execution shall be issued against the corporation or its property before final judgment in any suit, action, or proceeding in any State, county, municipal, or United States court. The board of directors shall designate an agent upon whom service of process may be made in any State, Territory, or jurisdiction in which any insured bank is located."; and by inserting at the end of said subsection the following:

"Eighth. To make examinations of and to require information and reports from banks, as provided in this section.

"Ninth. To act as receiver.

"Tenth. To prescribe by its board of directors such rules and regulations as it may deem necessary to carry out the provisions of this section."

11. By striking out in subsection (k) the following: "(k)", and inserting in lieu thereof "(k) (1)"; and by adding to said subsection three new paragraphs to read as follows:

"(2) The board of directors shall appoint examiners, who shall have power on behalf of the corporation (except as to a District bank) to examine any insured State nonmember bank, State nonmember bank making application to become an insured bank, or closed insured bank, whenever considered necessary. Such examiners shall have like power to examine, with the written consent of the Comptroller of the Currency, any national bank, or District bank and, with the written consent of the Federal Reserve Board, any State member bank. Each examiner shall have power to make a thorough examination of all of the affairs of the bank and in doing so he shall have power to administer oaths and to examine and take and preserve the testimony of any of the officers and agents thereof under oath and shall make a full and detailed report of the condition of the bank to the corporation. The board of directors in like manner shall appoint claim agents who shall have power to investigate and examine all claims for insured deposits and transferred deposits. Each claim agent shall have power to administer oaths and to examine under oath and take and preserve testimony of any persons relating to such claims. Any such examiner or claim agent in relation to any such examination, investigation, or taking of testimony may apply to any judge or clerk of any court of the United States to issue subpenas and to compel the appearance of witnesses and the production and taking of any such testimony and to punish disobedience in like manner as provided in sections 184 to 186 of the Revised Statutes (U. S. C., title 5, secs. 94 to 96).

"(3) Each insured State nonmember bank (except a District bank) shall make to the corporation reports of condition in such form and at such times as the board of directors may require of such bank. The board of directors may require such reports to be published in such manner, not inconsistent with any applicable law, as it may direct. Every such bank which fails to make or publish any such report within such time, not less than 5 days, as the board of directors may require may be subject to a penalty of $100 for each day of such failure, recoverable by the corporation for its use.

"(4) The corporation shall have access to reports of examinations made by and reports of condition made to the Comptroller of the Currency or any Federal Reserve bank, and may accept any report made by or to any commission, board, or authority having supervision of a State nonmember bank (except a District bank), and may furnish to the Comptroller of the Currency, or any such Federal Reserve bank, commission, board, or authority, reports of examinations made on behalf of and reports of condition made to the corporation."

12. By striking out all of subsection (l) preceding the last paragraph thereof and inserting in lieu thereof the following:

"(l) (1) The Temporary Federal Deposit Insurance Fund and the Fund for Mutuals are hereby consolidated into the permanent insurance fund for deposits created by this section, and the assets therein shall be held by the corporation for the uses and purposes of the corporation: *Provided*, That the obligations to and rights of the corporation, depositors, banks, and other persons arising out of any event or transaction prior to the effective date shall remain unimpaired. From the effective date the corporation shall insure the deposits of all insured banks as defined and provided in this section. The maximum amount of the insured deposit of any depositor shall be $5,000. The corporation, in the discretion of the board of directors, may open on its books, solely for the benefit of mutual savings banks and depositors therein, a separate fund for mutuals. If such a fund is opened, all assessments of each mutual savings bank shall be made a part of such fund, and the other permanent insurance funds of the corporation shall cease to be liable for losses sustained in mutual savings banks: *Provided*, That the capital assets of the corporation shall be so liable and all expenses of operation of the corporation shall be allocated on an equitable basis.

"(2) An insured bank shall, for the purposes of this section, be deemed to have been closed on account of inability to meet the demands of its depositors in any case where it has been closed for the purpose of liquidation without adequate provision for payment of its depositors.

"(3) Notwithstanding any other provision of law, whenever any insured national bank or insured District bank shall have been closed by action of its board of directors or the Comptroller of the Currency, as the case may be, on account of inability to meet the demands of its depositors, the Comptroller of the Currency shall appoint the corporation receiver for such closed bank and no other person shall be appointed as receiver of such closed bank.

"(4) It shall be the duty of the corporation as such receiver to realize upon the assets of such closed bank, having due regard to the condition of credit in the locality; to enforce the individual liability of the stockholders and directors thereof; and to wind up the affairs of such closed bank in conformity with the provisions of law relating to the liquidation of closed national banks, except as herein otherwise provided, retaining for its own account such portion of the amount realized from such liquidation as it shall be entitled to receive on account of its subrogation to the claims of depositors and paying to depositors and other creditors the net amount available for distribution to them. With respect to such closed bank, the corporation as such receiver shall have all the rights, powers, and privileges now possessed by or hereafter given a receiver of an insolvent national bank.

"(5) Whenever any insured State bank, except a District bank, shall have been closed by action of its board of directors or by the authority having supervision of such bank, as the case may be, on account of inability to meet the demands of its depositors, the corporation shall accept appointment as receiver thereof, if such appointment be tendered by the authority having supervision of such bank and be authorized or permitted by State law. With respect to such insured State bank, the corporation shall possess the powers and privileges given by State law to a receiver of such State bank.

"(6) When an insured bank shall have been closed on account of inability to meet the demands of its depositors, payment of the insured deposits shall be made by the corporation as soon as possible, subject to the provisions of paragraph (7) of this subsection (1), either (a) by making available to each depositor a transferred deposit in a new bank in the same community or in another insured bank in an amount equal to the insured deposit of such depositor and subject to withdrawal on demand, or (b) in accordance with any other procedure adopted by the board of directors: *Provided*, That the corporation, in its discretion, may require proof of claims to be filed before paying the insured deposits, and that in any case where the corporation is not satisfied as to the validity of a claim for an insured deposit, it may require the final determination of a court of competent jurisdiction before paying such claim.

"(7) In the case of a closed national bank or District bank the corporation, upon payment of any depositor as provided in paragraph (6) of this subsection (1) shall become and be subrogated to all rights of the depositor to the extent of such payment. In the case of any other closed insured bank, the corporation shall not pay any depositor until the right of the corporation to be subrogated to the rights of such depositor on the same basis as provided in the case of a closed national bank under this section shall have been recognized, by express provisions of State law, by allowance of claims by the authority having supervision of such bank, by assignment of claims by depositors, or by any other effective method. Such subrogation in the case of any closed bank shall include the right to receive the same dividends from the proceeds of the assets of such closed bank and recoveries on account of stockholders' liability as would have been payable to such depositor on a claim for the insured deposit, such depositor retaining his claim for any uninsured portion of his deposit: *Provided*, That the rights of depositors and other creditors of any State bank shall be determined in accordance with the applicable provisions of State law.

"(8) As soon as possible, the corporation, if it finds that it is advisable and in the interest of the depositors of the closed bank or the public, shall organize a new bank to assume the insured deposits of such closed bank and otherwise to perform temporarily the functions provided for in this section. The new bank shall have its place of business in the same community as the closed bank.

"(9) The articles of association and the organization certificate of the new bank shall be executed by representatives designated by the corporation. No capital stock need be paid in by the corporation. The new bank shall not have a board of directors, but shall be managed by an executive officer appointed by the board of directors of the corporation and who shall be subject to its directions. In other respects such bank shall be organized in accordance with the existing provisions of the law relating to the organization of national banking associations. The new bank may, with the approval of the corporation, accept new deposits, which shall be subject to withdrawal on demand and which, except where the new bank is the only bank in the community, shall not exceed $5,000 from any depositor. The new bank, without application or approval, shall be an insured bank and shall maintain on deposit with the Federal Reserve bank of its district the reserves required by law for member banks, but shall not be required to subscribe for stock of the Federal Reserve bank. Funds of the new bank shall be kept on hand in cash, invested in securities of the Government of the United States, or in securities guaranteed as to principal and interest by the Government of the United States, or deposited with the corporation, or with a Federal Reserve bank, or, to the extent of the insurance coverage thereon, with an insured bank. The new bank, unless otherwise authorized by the Comptroller of the Currency, shall transact no business except that authorized by this section and such business as may be incidental to its organization. Notwithstanding any other provision of law, it, its franchise, property, and income shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.

"(10) On the organization of a new bank, the corporation shall promptly make available to the new bank an amount equal to the estimated insured deposit of such closed bank plus the amount of its estimated expenses of operation and shall determine as soon as possible the amount due each depositor for his insured deposit in the closed bank, and the total expenses of operation of the new bank. Upon determination thereof, the amounts so estimated and made available shall be adjusted to conform to the amounts so determined. Earnings of the new bank shall be paid over or credited to the corporation in such adjustment. If any new bank, during the period it continues its status as such, sustains any losses with respect to which it is not effectively protected except by reason of being an insured bank, the corporation shall furnish to it additional funds in the amount of such losses. The new bank shall assume as transferred deposits the payment of the insured deposits of such closed bank to each of its depositors. Of the amount so made available, the corporation shall transfer to the new bank, in cash, such amount as is necessary to enable it to meet expenses and immediate cash demands on such transferred deposits and the remainder shall be subject to withdrawal by the new bank on demand.

"(11) When in the judgment of the board of directors it is desirable to do so, the corporation shall cause capital stock of the new bank to be offered for sale on such terms and conditions as the board of directors shall deem advisable, in an amount sufficient, in the opinion of the board of directors, to make possible the conduct of the business of the new bank on a sound basis, but in no event less than that required by section 5138 of the Revised Statutes, as amended (U. S. C., Supp. VII, title 12, sec. 51), for the organization of a national bank in the place where such bank is located, giving the stockholders of the closed bank the first opportunity to purchase any shares of common stock so offered. Upon proof that an adequate amount of capital stock in the new bank has been subscribed and paid for in cash, the Comptroller of the Currency shall require the articles of association and the organization certificate to be amended to conform to the requirements for the organization of a national bank, and thereafter, when the requirements of law with respect to the organization of a national bank have been complied with, he shall issue to the bank a certificate of authority to commence business, which shall thereupon cease to have the status of a new bank and shall be managed by directors elected by its own shareholders and may exercise all the powers granted by law and shall be subject to all of the provisions of law relating to national banks. Such bank shall thereafter be an insured national bank, without certification to or approval by the corporation.

"(12) If the capital stock of the new bank shall not be offered for sale, or if an adequate amount of capital for such new bank is not subscribed and paid in, the board of directors may offer to transfer its business to any insured bank in the same community which will take over its assets, assume its liabilities, and pay to the corporation for such business such amount as the board of directors may deem adequate; or the board of directors in its discretion may change the location of the new bank to the office of the corporation or to some other place or may at any time wind up its affairs as herein provided. Unless the capital stock of the new bank is sold or its assets acquired and its liabilities assumed by an insured bank, as provided above, within 2 years from the date of its organization, the corporation, shall wind up its affairs, after giving such notice, if any, as the Comptroller of the Currency may require, and shall certify to the Comptroller of the Currency the termination of the new bank, and thenceforth the corporation shall be liable for its obligations and be the owner of its assets. The provisions of sections 5220 and 5221 of the Revised Statutes (U. S. C., title 12, secs. 181 and 182) shall not apply to such new banks."

13. By inserting before the said last paragraph of subsection (1) the following: "(n) (1)"; and by striking out the comma after the words "United States" in the first sentence of said paragraph and inserting before the word "except" the following: "or in securities guaranteed as to principal and interest by the Government of the United States,"; and by transposing said paragraph to subsection (n) as amended, as paragraph (1) thereof.

14. By striking out in subsection (m) the following: "(m)"; and by striking out in said subsection the word "herein" and inserting in lieu thereof "in this section"; and by transposing said subsection to subsection (n), as amended, as paragraph (2) thereof.

15. By inserting a new subsection to read as follows:

"(m) (1) The corporation as receiver of a closed national bank or District bank shall not be required to furnish bond and shall have the right to appoint an agent or agents to assist it in its duties as such receiver, and all fees, compensation, and expenses of liquidation and administration thereof shall be fixed by the corporation, subject to the approval of the Comptroller of the Currency, and may be paid by it out of funds coming into its possession as such receiver. The Comptroller of the Currency is authorized and empowered to waive and relieve the corporation from complying with any regulations of the Comptroller of the Currency with respect to receiverships where in his discretion such action is deemed advisable to simplify administration.

"(2) Payment of an insured deposit to any person by the corporation shall discharge the corporation, and payment of a transferred deposit to any person by the new bank or the other insured bank shall discharge the corporation and such new bank or other insured bank, to the same extent that payment to such person by the closed bank would have discharged it from liability for the insured deposit.

"(3) Except as otherwise prescribed by the board of directors, neither the corporation, such new bank, nor such other insured bank, shall be required to recognize as the owner of any portion of a deposit appearing on the records of the closed bank under a name other than that of the claimant, any person whose name or interest as such owner is not disclosed on the records of such closed bank, or on its outstanding certificates or passbooks, as part owner of said account, where such recognition would increase the aggregate amount of the insured deposits in such closed bank.

"(4) The corporation may withhold payment of such portion of the insured deposit of any depositor in a closed bank as may be required to provide for the payment of any liability of such depositor as a stockholder of the bank, or of any liability of such depositor to the bank or its receiver, not offset against a claim due from the bank, pending the determination and payment of such liability by such depositor or any other person liable therefor.

"(5) If, after the corporation shall have given at least 3 months' notice to the depositor by mailing a copy thereof to his last known address appearing on the records of the closed bank, any depositor in a closed bank shall fail to claim his insured deposit from the corporation within 18 months after the appointment of the receiver for the closed bank, or shall fail to claim or arrange to continue the transferred deposit with the new bank or other bank assuming liability therefor within such 18 months' period, all rights of the depositor against the corporation in respect to the insured deposit or against the new bank and such other bank in respect to the transferred deposit shall be barred,

and all rights of the depositor against the closed bank, its shareholders or the receivership estate to which the corporation may have become subrogated shall thereupon revert to the depositor. The amount of any transferred deposits not claimed within such 18 months' period, shall be refunded to the corporation."

16. By striking out in subsection (n) the following: "(n)" and inserting "(3)"; and by retaining said subsection in paragraph (3) of subsection (n), as amended; and by striking out in said subsection (n) the words "member banks which are now or may hereafter become insolvent or suspended" and inserting in lieu thereof "insured banks closed on account of inability to meet the demands of depositors"; and by striking out "State member" and inserting in lieu thereof "insured State"; and by striking out the period at the end of the first sentence and inserting in lieu thereof "or District banks."; and by adding at the end of said subsection two new sentences to read: "The corporation, in its discretion, may upon application make loans on the security of or may purchase and liquidate or sell any part of the assets of an insured bank which is now or may hereafter be closed on account of inability to meet the demands of its depositors. In any case where the corporation is acting as receiver of such insured bank such loan or purchase shall not be made without approval of a court of competent jurisdiction."; and by adding to subsection (n), as amended, a new paragraph to read as follows:

"(4) Until July 1, 1936, whenever in the judgment of the board of directors such action will reduce the risk or avert a threatened loss to the corporation and will facilitate a merger or consolidation, or facilitate the sale of the assets of an open or closed insured bank to and assumption of its liabilities by another insured bank, the corporation may, upon such terms and conditions as it may determine, make loans secured in whole or in part by assets of such open or closed insured bank, which loans may be in subordination to the rights of depositors and other creditors, or it may purchase such assets, or may guarantee any other insured bank against loss by reason of assuming the liabilities and purchasing the assets of such open or closed insured bank. Any insured national bank or District bank or, with the approval of the Comptroller of the Currency, any receiver thereof is authorized to contract for such sales or loans and to pledge any assets of the bank to secure such loans.

17. By striking out subsection (o) and inserting in lieu thereof the following:

"(o) (1) The corporation is authorized and empowered to issue and to have outstanding its notes, debentures, bonds, or other such obligations, in a par amount aggregating not more than three times the amount received by the corporation in payment of its capital stock and of the first annual assessments. Notes, debentures, bonds, or other such obligations issued under this subsection shall be redeemable at the option of the corporation before maturity in such manner as may be stipulated in such obligations, and shall bear such rate or rates of interest, and shall mature at such time or times as may be determined by the corporation: *Provided*, That the corporation may sell on a discount basis short-term obligations payable at maturity without interest. The notes, debentures, bonds, and other such obligations of the corporation may be secured by assets of the corporation in such manner as shall be prescribed by its board of directors. Such obligations may be offered for sale at such price or prices as the corporation may determine.

"(2) Such of the obligations authorized to be issued under this subsection, as the corporation, with the approval of the Secretary of the Treasury, may determine, shall be fully and unconditionally guaranteed, both as to interest and principal, by the United States and such guaranty shall be expressed on the face thereof. In the event that the corporation shall be unable to pay upon demand, when due, principal of or interest on notes, debentures, bonds, or other such obligations issued by it and guaranteed by the United States under this paragraph, the Secretary of the Treasury shall pay the amount thereof, which is hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated, and thereupon, to the extent of the amounts so paid, the Secretary of the Treasury shall succeed to all the rights of the holders of such notes, debentures, or other obligations.

"(3) The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the corporation which are guaranteed by the United States under this subsection, and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds from the sale of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under the Second Liberty Bond Act, as amended, are extended to include any purchases of the corporation's obligations hereunder. The Secretary of the Treasury may, at any time, sell any of the obligations of the corporation acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of the obligations of the corporation shall be treated as public-debt transactions of the United States.

"(4) The Secretary of the Treasury, at the request of the Corporation, is authorized to market for the corporation such of its notes, debentures, bonds, and other such obligations as are guaranteed by the United States under this subsection, using therefor all the facilities of the Treasury Department now authorized by law for the marketing of the obligations of the United States. The proceeds of the obligations of the corporation so marketed shall be deposited in the same manner as proceeds derived from the sale of the obligations of the United States, and the amount thereof shall be credited to the Corporation on the books of the Treasury."

18. By inserting in subsection (s) following the words "purchase any assets" the following: "or for the purpose of obtaining the payment of any insured deposit or transferred deposit or the allowance, approval, or payment of any claim,".

19. By striking out in subsection (v) the following: "(v)", and inserting in lieu thereof "(v) (1)"; and by striking out in said subsection "class A stockholder of the Federal Deposit Insurance corporation" and inserting in lieu thereof "insured bank."

20. By striking out the second paragraph of subsection (v) and inserting in lieu thereof the following:

"(2) Every insured bank shall display at each place of business maintained by it a sign or signs, and shall include in advertisements relating to deposits a statement to the effect that its deposits are insured by the corporation. The board of directors shall prescribe by regulation the forms of such signs and the manner of display and the forms of such statements and the manner of use. For each day an insured bank continues to violate any provision of this paragraph or any lawful provision of said regulations, it may be subject to a penalty of $100, recoverable by the corporation for its use."

21. By adding to subsection (v) five new paragraphs, to read as follows:

"(3) No insured bank shall pay any dividends on its capital stock or interest on its capital notes or debentures (if such interest is required to be paid only out of net profits) while it remains in default in the payment of any assessment due to the corporation: *Provided*, That if such default is due to a dispute between the insured bank and the corporation over such assessment, this paragraph shall not apply, if such bank shall deposit security satisfactory to the corporation for payment upon final determination of the issue.

"(4) Unless, in addition to compliance with other provisions of law, it shall have the prior written consent of the corporation, no insured bank shall enter into any consolidation or merger with any noninsured bank, or assume liability to pay any deposits made in any noninsured bank, or transfer assets to any noninsured bank in consideration of the assumption of liability for any portion of the deposits made in such insured bank, and no insured State nonmember bank (except a District bank) without such consent shall reduce the amount or retire any part of its common or preferred capital stock, or retire any part of its capital notes or debentures.

"(5) The corporation may require any insured bank to provide protection and indemnity against burglary, defalcation, and other similar insurable losses. Whenever any insured bank refuses to comply with any such requirement, the corporation may contract for such protection and indemnity and add the cost thereof to the assessment otherwise payable by such bank.

"(6) Whenever an insured bank, except a national bank or District bank, for a period of 120 days after written notice of the recommendations of the corporation, based on a report of examination of such bank by an examiner of the corporation, shall fail to comply with such recommendations, the corporation shall have the power, and is hereby authorized, to publish any part of such report of examination in such manner as it may determine: *Provided*, That such notice of intention to make such publication shall be given at the time such recommendations are made, or at any time thereafter and at least 90 days before such publication.

"(7) The board of directors shall by regulation prohibit the payment of interest on demand deposits in insured nonmember banks and for such purpose may define the term 'demand deposits', provided such exceptions from said prohibition shall be made as are now or may hereafter be prescribed with respect to deposits payable on demand in member banks by section 19 of this act, as amended, or by regulation of the Federal Reserve Board. From time to time the board of directors shall limit by regulation the rates of interest or dividends payable by insured nonmember banks on deposits other than demand deposits, provided such regulations shall be consistent with the contractual obligations of such banks to their depositors. For the purpose of fixing rates the board of directors may classify deposits according to maturities, conditions respecting receipt, withdrawal, or repayment, and may classify banks according to locations or kinds of banking business chiefly done as it may deem necessary in the public interest. It may prescribe different rates for different classes of deposits or different classes of banks, provided such different rates are reasonable when the bases for the classifications are considered. The board of directors by regulations shall define what constitutes savings deposits in an insured nonmember bank. Such regulations shall prohibit insured nonmember banks from paying deposits prior to maturity and from waiving any notice requirement with respect to withdrawal of deposits: *Provided*, That exceptions may be prescribed where by reason of special circumstances the prohibitions respecting withdrawal would cause unnecessary hardship to depositors and provided the prohibitions respecting withdrawal shall not apply to savings deposits. For each violation of any provision of this paragraph or any lawful provision of the Corporation's regulations relating to paying interest or dividends on deposits or to withdrawal of deposits the offending bank shall be subject to a penalty of $100, recoverable by the corporation for its use."

22. By striking out all of subsection (y) preceding the last paragraph thereof and inserting in lieu thereof the following:

"(1) For the purposes of this section, and notwithstanding any other provision thereof, any unincorporated bank which continues to be an insured bank without application or approval under the provisions of paragraph (1) of subsection (f) of this section shall be included in the term 'State bank' and 'State nonmember bank.'"

23. By inserting at the beginning of the last paragraph of subsection (y) the following: "(2)."

Mr. HANCOCK of North Carolina. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Amendment by Mr. HANCOCK of North Carolina: On page 2, line 5, after the figure 2, insert the following language:

"(b) The management of the corporation shall be vested in a board of directors consisting of five members, one of whom shall be the Comptroller of the Currency, one of whom shall be the Chairman of the Reconstruction Finance Corporation, and three of whom shall be citizens of the United States to be appointed by the President by and with the advice and consent of the Senate. One of the appointive members shall be the chairman of the board of directors of the corporation, and not more than three of the members of such board of directors shall be members of the same political party. Each such appointive member shall hold office for a term of 6 years, and shall receive compensation at the rate of $10,000 per annum, payable monthly out of the funds of the corporation, but the Comptroller of the Currency and the Chairman of the Reconstruction Finance Corporation shall not receive additional compensation for their services as such members. The directors now serving shall continue to serve under their present appointments, and one additional director shall be appointed to make up the board of five members. And—"

Mr. HANCOCK of North Carolina. Mr. Chairman, ladies and gentlemen of the Committee, in addressing myself to the amendment which I have just sent forward to the Clerk's desk, I shall be very brief. This same amendment, in substance, was presented by me to our committee but failed of adoption by a considerable vote. The amendment, as the language clearly indicates, is designed to increase the directors of the Federal Deposit Insurance Corporation Board from 3 to 5 members. As you know, the present Board is composed of the Comptroller of the Currency, who is an ex-officio member, and two citizens of the United States appointed by the President and confirmed by the Senate. Under the law, this Board is nonpartisan; and in this respect it remains the same under my amendment.

I want it clearly understood that in presenting this amendment it is in nowise intended to reflect upon the present able and conscientious directorate. The present chariman, Mr. Crowley, and the Comptroller of the Currency, Mr. O'Connor, have rendered an extraordinarily splendid service to the Government and to the depositors in banks throughout the country. The work done under their direction and supervision in building up this organization will go down in history as one of the outstanding administrative achievements of our day. It is my reasoned judgment, however, that since we are making this organization permanent and adding to it increased responsibilities, the membership of the Board should be enlarged. Those who have carefully examined and studied the provisions of title I of the bill will readily see that the work of the corporation is being greatly extended and expanded and that many new problems will arise from time to time by virtue of these additional duties and responsibilities. Few governmentally operated corporations could possibly have more important tasks to perform.

I am suggesting in my amendment that the Chairman of the Reconstruction Finance Corporation shall be ex officio a member of the board and that one other citizen be appointed in the usual way. All of you understand that the Reconstruction Finance Corporation has been working hand in hand with officials of the Comptroller's office and the Federal Deposit Insurance Corporation in the rehabilitation of the capital structure of thousands of banks throughout the country, with the result that this corporation now has actually distributed and subject to distribution approximately a billion dollars invested in the capital of banks, all of which are members of the Federal Deposit Insurance Corporation. It is therefore my considered thought that the chairman of this corporation should have a voice in the formulation of the policies of the Federal Deposit Insurance Corporation. I am satisfied in my own mind that this arrangement would bring about a closer and more interested working arrangement between the three departments and tend to provide mutual safeguards. The cost involved in this amendment would only be $10,000 and when we consider the magnitude of the corporation and the tremendous amount of finances involved it does not seem to be worthy of consideration as a factor in passing on the merits of the amendment.

Mr. GOLDSBOROUGH. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK of North Carolina. Yes; I yield.

Mr. GOLDSBOROUGH. Was the amendment voted down in the committee as it is now proposed?

Mr. HANCOCK of North Carolina. It is the language of the first amendment which I proposed in the committee on this phase of the bill; but if memory serves, the amendment as voted on was somewhat different.

Mr. GOLDSBOROUGH. Was the Chairman of the Reconstruction Finance Corporation a member of the board in the amendment presented to the Committee?

Mr. HANCOCK of North Carolina. I think that is the only change in the amendment.

Mr. GOLDSBOROUGH. Of course, the Reconstruction Finance Corporation is a temporary corporation. Personally, I would not oppose an amendment to increase the board, but I did not know that the gentleman intended to have more than one ex-officio member.

Mr. HANCOCK of North Carolina. I hope the prophecy of my good friend the gentleman from Maryland about the Reconstruction Finance Corporation's life will turn out to be correct; but, in view of its far-reaching ramifications and its outstanding obligations and interests, I can hardly join in his prophecy. Though I greatly hope that private organizations may soon be able to take over its active lending functions, I believe that this Corporation will be with us for many years to come. We certainly do not want to put it out of business as long as it continues to render a real service to business, and particularly the depositors in closed banks.

In conclusion, let me say that I believe it will be for the best interests of the public, the Government, and the Federal Deposit Insurance Corporation if this amendment is adopted. It is for you to decide.

Mr. FORD of California. Mr. Chairman, I rise in opposition to the amendment. I do not suppose there has ever been an activity organized by the Government which has done such an efficient job as has the Federal Deposit Insurance Corporation. It has accomplished the tremendous task of creating a system of bank-deposit insurance for the banks of the United States, and it has done it in a rapid and efficient way. That board consists of three members. We are asked by this amendment to increase it to four. The gentleman from North Carolina [Mr. HANCOCK] has said that no board in the Government has a greater responsibility. I agree thoroughly with that statement. They have a tremendous responsibility, and by the terms of this bill we are tremendously increasing that responsibility. It seems to me that the splendid manner in which they have met these responsibilities and carried on their work would indicate that it is not exactly in keeping with courteous appreciation or good policy to alter the situation now and increase or diminish the membership of the board. I believe the board is entitled to the support of the Members of this House for the splendid job they have done. The Member who offered the amendment admits the fact that it has done good work. That being so, why should we make any changes in the present set-up? I do not believe that a board of five could or would do any better than a board of three. It seems to me that with a board of five there would be more differences of opinion to be composed whenever they got together. In view of the great success with which they have operated in the past, I think it is the part of wisdom on the part of this House to keep the membership at three to permit it to continue to function in the future as it has in the past.

The CHAIRMAN. The question is on the amendment offered by the gentleman from North Carolina.

The question was taken; and on a division (demanded by Mr. HANCOCK of North Carolina) there were—ayes 8, noes 70.

So the amendment was rejected.

The Clerk read as follows:

TITLE II—AMENDMENTS TO THE FEDERAL RESERVE ACT

SEC. 201. (a) Section 4 of the Federal Reserve Act, as amended, is further amended by striking out the paragraph which commences with the words "Class C directors shall be appointed by the Federal Reserve Board" and the next succeeding paragraph, and inserting in lieu thereof the following:

"Class C directors shall be appointed by the Federal Reserve Board. They shall have been for at least 2 years residents of the districts for which they are appointed, except that this requirement shall not apply to the governor and vice governor of the bank. Each class C director shall hold office for a term of 3 years except that the governor's term as a class C director shall expire when he ceases to be Governor of the bank and, if the vice governor be designated as a class C director, his term as a class C director shall expire when he ceases to be vice governor. One of the directors of class C shall be appointed by the Federal Reserve Board as deputy chairman to exercise the powers of the chairman of the board when necessary. In the case of the absence of the chairman and deputy chairman, the third class C director shall preside at meetings of the Board.

"Effective 90 days after the enactment of the Banking Act of 1935, the offices of governor and chairman of the board of directors of each Federal reserve bank shall be combined. The governor shall be the chief executive officer of the bank and shall be appointed annually by the board of directors. His first appointment shall be subject to the approval of the Federal Reserve Board. He shall not take office until approved by the Federal Reserve Board and thereupon he shall become a class C director of the bank for the unexpired portion of the term held by his predecessor as chairman of the board of directors or, if such term was completed, then for the next regular term of 3 years. At the expiration of such term as a class C director, and of each term of 3 years thereafter, his continuance in office shall be subject to the approval of the Federal Reserve Board, and he shall cease to be governor at the expiration of any such term unless his reappointment be approved by the Federal Reserve Board. Upon such approval he shall become a class C director for the ensuing term of 3 years. He shall be ex-officio chairman of the board of directors and chairman of the executive committee; and all other officers and employees of the bank shall be directly responsible to him. For each Federal Reserve bank there shall be appointed annually in the same manner as the governor, a vice governor, who shall, in the absence or disability of the governor or during a vacancy in the office of governor, serve as the chief executive officer of the bank and act as chairman of the executive committee of the bank. His appointment and reappointment shall be subject to approval by the Federal Reserve Board in the same manner as that of the governor. He may be appointed by the Federal Reserve Board as a class C director of the bank and, in such case, may be appointed as deputy chairman of the board of directors. Whenever a vacancy shall occur in the office of the governor or vice governor of a Federal Reserve bank, it shall be filled in the manner provided for original appointments; and the person so appointed shall hold office until the expiration of the term of his predecessor.

"Effective 90 days after the enactment of the Banking Act of 1935, any Federal Reserve agent who shall not have been appointed governor of the bank shall cease to be a class C director and chairman of the board of directors. All duties prescribed by law for the Federal Reserve agent shall be performed by the governor of the bank or by such other person or persons as he shall designate.

"No member of the board of directors of a Federal Reserve bank, other than the governor and vice governor, shall serve as a director for more than two consecutive terms of 3 years each, but nothing in this paragraph shall prevent the present incumbents from serving out the remainders of their present terms."

(b) The last paragraph of such section 4 is amended by striking out the words "Thereafter every director of a Federal Reserve bank chosen as hereinbefore provided shall hold office for a term of 3 years" and substituting the words "Thereafter each director of class A and each director of class B chosen as hereinbefore provided shall hold office for a term of 3 years."

(c) The paragraph of such section 4 which commences with the words "Such board of directors shall be selected" is amended by striking therefrom the words "holding office for 3 years, and."

Mr. HOLLISTER. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. HOLLISTER: Page 44, line 25, after the word "directors", strike out the rest of that line and all on page 45, through the word "years" in line 14; also the words "and reappointment" in line 23.

Mr. HOLLISTER. Mr. Chairman, in this amendment I am attempting to strike out that provision which gives to the Federal Reserve Board the right to approve those who are appointed as governors of the various Federal Reserve banks; that is, their chief executive officers. At the present time the governors of the Federal Reserve banks are appointed by their boards of directors. Those boards of directors are appointed, 6 by the member banks whose money has gone into the investment in the capital stock of the banks, and 3 by the Federal Reserve Board. Each board of directors of nine elects a governor, who is the chief executive officer of that bank.

There is no provision in the law at the present time for this office of governor. It has merely grown up to be the usage that the board of directors of the bank, as the board of directors of any other corporation, has the right to appoint a man who shall be the chief executive officer of the bank and perform the usual functions of such individual. This amendment which I suggest will take out of the bill the change which is put in, which gives to the Federal Reserve Board the right practically to dictate to the Federal Reserve bank who shall be its governor or chief executive officer.

I consider this the first of the dangerous steps which this bill contains, because by this the Federal Reserve Board, which is in turn largely controlled by the Executive, will have much greater powers over the operation of the Federal Reserve banks than it has today.

Mr. REILLY. Will the gentleman yield?

Mr. HOLLISTER. I yield.

Mr. REILLY. Would the gentleman's amendment restore the law as it is now?

Mr. HOLLISTER. It will not, but I shall be very glad to restore the law that way if the gentleman desires to offer such an amendment.

Mr. REILLY. Under the gentleman's amendment, would there still be a governor and an agent?

Mr. HOLLISTER. The governor and the agent and the chairman would all be combined under my amendment.

Mr. STEAGALL. Will the gentleman yield?

Mr. HOLLISTER. I will be glad to yield to the chairman of the committee.

Mr. STEAGALL. In other words, the gentleman would take out of existing law all the powers that the Federal Reserve Board possesses with reference to the governor or chairman of the board of a Federal Reserve bank?

Mr. HOLLISTER. It was stated to us in committee by Governor Eccles that the chief reason for this change was because of the fact that there was somewhat of a conflict between the duties of the chairman of the board appointed by the Federal Reserve Board and the governor appointed by the directors. The object of the changes in the bill was chiefly to combine those two functions. Under the amendment I have suggested those two functions would be still combined.

Mr. FITZPATRICK. Will the gentleman yield?

Mr. HOLLISTER. I yield.

Mr. FITZPATRICK. Who would select the governor—the board of directors?

Mr. HOLLISTER. The board of directors.

Mr. FITZPATRICK. And the Federal Reserve Board would only have approval?

Mr. HOLLISTER. They would not have approval under my amendment.

Mr. FITZPATRICK. But they would under the new bill?

Mr. HOLLISTER. They would under the new bill.

Mr. FITZPATRICK. The only difference, then, is that they would have approval and now they do not?

Mr. HOLLISTER. The new bill would make it impossible for the board of directors to designate whomsoever they wished. It would still have to be approved by the Federal Reserve Board at Washington.

Mr. FITZPATRICK. But the directors can select the governor.

Mr. HOLLISTER. The directors can select the governor, subject to approval.

It would be unwise to bring about a situation whereby the board of directors, who are trying their best to conduct the affairs of the regional bank, would be in such position that they might have to take whomsoever the Federal Reserve Board might select. By the right which the Federal Reserve Board has to veto the selection of any governor by the

directors of the regional bank, the directors would be compelled to accept only someone who was satisfactory to the Federal Reserve Board. As I have stated, this is the first of a series of steps which increases greatly the power of the Federal Reserve Board over the Federal Reserve banks.

The CHAIRMAN. The time of the gentleman from Ohio [Mr. HOLLISTER] has expired.

Mr. STEAGALL. Mr. Chairman, I rise in opposition to the amendment.

I think it should be understood that under the original Federal Reserve law the Federal Reserve Board was empowered to name the chairman of the board of each Federal Reserve bank to be its executive officer. There grew up a practice by which each of the banks selected a governor, who was the executive officer, and the practice has become a general rule. This bill would surrender the right of the Federal Reserve Board to name the chairmen of the boards of directors of the Federal Reserve banks, and would validate the practice that has grown up of permitting each bank to select a governor to be executive officer; but under this bill a governor selected by the Federal Reserve bank would be subject to approval of the Federal Reserve Board. That is all the power they will have over the governor, under the bill before the House.

I cannot feel that it is the desire of Members who have kept fully abreast of the developments of this legislation to have any further surrender of authority over these banks on the part of the Federal Reserve Board. I hope the amendment will not prevail.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. HOLLISTER].

The question was taken; and on a division (demanded by Mr. HOLLISTER) there were—ayes 32, noes 70.

So the amendment was rejected.

The Clerk read as follows:

SEC. 202. Section 9 of the Federal Reserve Act, as amended, is amended by inserting after the tenth paragraph thereof the following new paragraph:

"Upon application to the Federal Reserve Board by any nonmember bank which at the time of such application has been admitted to the benefits of insurance by the Federal Deposit Insurance Corporation under section 12–B of this act, the Federal Reserve Board, in its discretion, in order to facilitate the admission of such bank to membership in the Federal Reserve System, may waive in whole or in part the requirements of this section relating to the admission of such bank to membership: *Provided*, That if such bank is admitted with a capital less than that required for the organization of a national bank in the same place and its capital and surplus are not, in the judgment of the Federal Reserve Board, adequate in relation to its liabilities to depositors and other creditors, the Federal Reserve Board may, in its discretion, require such bank to increase its capital and surplus to such amount as the Board may deem necessary within such period prescribed by the Board as in its judgment shall be reasonable in view of all the circumstances: *Provided, however*, That no such bank shall be required to increase its capital to an amount in excess of that required for the organization of a national bank in the same place."

SEC. 203. Section 10 of the Federal Reserve Act, as amended, is further amended in the following respects:

(1) By striking out the second sentence of the first paragraph and substituting the following: "In selecting the six appointive members of the Federal Reserve Board the President shall choose persons well qualified by education or experience or both to participate in the formulation of national economic and monetary policies. Not more than one of the appointive members shall be selected from any one Federal Reserve district, except that this limitation shall not apply to the selection of the governor."

(2) By adding, at the end of such first paragraph the following: "Each appointive member of the Federal Reserve Board heretofore appointed may retire from service upon reaching the age of 70 or at any time thereafter, and all members hereafter appointed shall retire upon reaching the age of 70. Each member of the Board so retired from service who shall have served for as long as 12 years shall, during the remainder of his life, receive an annual retirement pay in an amount equal to his annual salary at the time of retirement: *Provided*, That, if he shall have served for as long as 5 years but less than 12 years, his annual retirement pay shall be at the rate of one-twelfth of such annual salary for each year served and for any fraction of an additional year of such service: *Provided further*, That any member whose term expires and who is not reappointed shall receive retirement pay upon the same basis as if he had been retired under the provisions of this paragraph, except that, if his term expire before he reaches the age of 65 and he be offered and decline to accept reappointment, he shall not receive any retirement pay. The funds necessary for such retirement pay shall be provided by the Federal Reserve banks in such manner as the Federal Reserve Board shall prescribe. Nothing in this section shall prevent the President from reappointing any member of the Federal Reserve Board holding office on July 1, 1935.

(3) By striking out the fourth sentence of the second paragraph and inserting in lieu thereof the following: "Of the 6 appointive members of the Board, 1 shall be designated by the President as governor and 1 as vice governor of the Federal Reserve Board, to serve as such until the further order of the President, and the provisions of the next preceding sentence of this paragraph shall not apply to the member designated as governor. If the governor's designation as such be terminated, he may continue to serve as a member of the Board for the remainder of his term as such; but, if he resign within 90 days from the date of the termination of his designation as governor, he shall not be subject thereafter to any restriction of this section with respect to holding any office, position, or employment in any member bank."

(4) By adding at the end of the second paragraph the following: "Upon the expiration of their terms of office, members of the Federal Reserve Board shall continue to serve until their successors are appointed and have qualified."

Mr. HOLLISTER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HOLLISTER: Page 48, line 13, after the word "persons", strike out the rest of the sentence and insert "who have had adequate training and experience in banking."

Mr. HOLLISTER. Mr. Chairman, section 203, to which I now suggest an amendment, reads that in selecting the six appointive members of the Federal Reserve Board the President shall choose persons well qualified by education or experience or both to participate in the formulation of national economic and monetary policies.

My amendment is that in selecting the six appointive members of the Board they shall be persons who have had training and experience in banking.

We are discussing the subject of banking. This is a bill which deals with banking. The Federal Reserve Board is set up as a supervisory board over the operation of the various Federal Reserve banks which, in turn, are made up of members of the Federal Reserve System in each particular district. The question here presented is whether we want the Federal Reserve Board, the advisory board to which, incidentally, this bill gives much greater powers than it ever had before, whether we want that Board to be made up of a lot of theorists on the subject of economics or of men who have had some experience in banking. As the bill now reads, they may be persons well qualified by education or experience to participate in the formulation of national economic and monetary policies. Do we want the Federal Reserve Board to be made up of people qualified solely by education, perhaps, with no training whatsoever, no experience; or do we want people who have had some experience in the various problems which they are to attempt to solve? Secondly, irrespective of the disjunctive, the word "or", which certainly should not be there, do we want to define the nature of the appointment to include such broad terms as "the formulation of economic policies" as well as "monetary policies"? Are we not perhaps embarking the Federal Reserve Board on a sea on which it was never expected to sail, and on a sea which is highly dangerous? After all, this is a board, as I have stated, to supervise the central banking system of the country. This is not a planning board to discuss economic planning, to discuss the more abundant life, to consider what high social measures might perhaps be adopted to make this country a better place in which to live. This is a board to supervise the central banking system of the country, the credit system, the lifeblood of the country. We should fill it with men who have had banking experience and not with a lot of theorists on the subject of economics.

Mr. O'CONNOR. Mr. Chairman, will the gentleman yield?

Mr. HOLLISTER. I yield.

Mr. O'CONNOR. Does not the gentleman think any provision in this piece of legislation as to qualifications may be superfluous and of no effect for the reason that it is not usual to put such descriptions in legislation? Suppose the appointing power does not follow them, what can be done about it?

Mr. HOLLISTER. I agree with the gentleman on that. It should not be in the bill.

Mr. O'CONNOR. It should not be in the bill at all.

Mr. HOLLISTER. Exactly; and if the gentleman will move to strike it out I will support his motion. If the language is to stay in the bill, however, it should be so modified as to prevent the appointment of a lot of professors who do not know the first thing about the practical end of banking.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. HOLLISTER. I yield.

Mr. McCORMACK. What does the gentleman mean by education?

Mr. HOLLISTER. I wish I could tell the gentleman what education is.

Mr. McCORMACK. Suppose a young man started in a bank at 14, 15, or 16 years of age; denied a college education, but working in the bank for many years he has educated himself and has acquired valuable experience. There are many such men in the United States. My question is whether or not such a man would not be precluded from appointment by the requirements of education and experience.

Mr. HOLLISTER. I agree such requirements should not be in the bill.

Mr. McCORMACK. If the word "education" is retained in the bill the quantum of education must be determined by someone and probably will be construed as meaning that the man should have a college education. If such were the case this young man I have used as an example would be precluded although he was thoroughly qualified otherwise.

Mr. HOLLISTER. I think the gentleman is correct. I think experience should be sufficient. If the gentleman desires to modify my amendment in this respect, I will be glad to accept the modification.

Mr. McCORMACK. When the gentleman says "education and experience", he has not remedied the situation. As a matter of fact the language of the bill "education or experience" gives greater latitude in qualifying.

Mr. HOLLISTER. I believe the language of my amendment is sufficient.

Mr. McCORMACK. I am afraid it may not be construed as the gentleman anticipates.

[Here the gavel fell.]

Mr. STEAGALL. Mr. Chairman, this whole issue was fought out from every angle when the original Federal Reserve Act was adopted. In my remarks in the House last week I quoted from the book of the Senator from Virginia [Mr. GLASS], in which he recited the conferences with the President of the United States at the time the original Federal Reserve Act was under preparation. It will be remembered that in that conversation the President of the United States insisted that the Federal Reserve Board was to represent the people of the Nation, the national welfare, as distinguished from any particular class, and that a requirement that bankers be included on the Board was undesirable and contrary to the purposes of the act. The language of the existing law requires that regard in the appointment of the Federal Reserve Board shall be paid to a fair representation of the financial, agricultural, industrial, and commercial interests and geographical divisions of the country. The bill under consideration would depart even from those broad directions and base the appointment of the Federal Reserve Board upon experience or education as qualifications for the proper exercise of sound judgment in the establishment of national economic and monetary policies.

Under the amendment offered by the gentleman from Ohio every man on the Board would have to be a banker, and we would have complete banker control not only of each of the 12 Federal Reserve banks, two-thirds of the members of which are elected by bankers, but complete banker control of the Federal Reserve Board itself. All the interests of the public would be intrusted to officials made up of bankers selected by bankers, with no representation of any other class.

The amendment offered by the gentleman from Ohio [Mr. HOLLISTER] strikes at the very heart of the fundamental purpose of this legislation.

Mr. HOLLISTER. Will the gentleman yield?

Mr. STEAGALL. I yield to the gentleman from Ohio.

Mr. HOLLISTER. May I point out to the gentleman the discussion in reference to the word "education", and I would like to call the attention of the gentleman from Massachusetts [Mr. McCORMACK] to the fact that the amendment which I suggested did not use the word "education." It uses the words "training and experience", which I think will satisfy the objection of the gentleman from Massachusetts.

Mr. STEAGALL. The gentleman's amendment did not limit the language to "training and experience", but said in effect "training and experience in banking", which means that the Federal Reserve Board as well as all 12 banks would be absolutely under the control of bankers.

Mr. TABER. Will the gentleman yield?

Mr. STEAGALL. I yield to the gentleman from New York.

Mr. TABER. Does the gentleman feel that the primary qualifications for membership on this Board ought to be ignorance of banking?

Mr. STEAGALL. No. There is nothing in the bill to prevent the President from selecting men trained in banking, if he sees fit. But, on the other hand, it does not restrict him to the appointment of bankers which would mean banker control of the Federal Reserve Board and of the entire system. The gentleman's amendment would nullify the chief purpose of the act.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. HOLLISTER].

The amendment was rejected.

Mr. MARTIN of Colorado. Mr. Chairman, I offer an amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. MARTIN of Colorado: Page 48, line 14, preceding the word "experience", strike out the word "or" and insert "and"; and following the word "experience" in line 14, strike out the words "or both."

Mr. MARTIN of Colorado. Mr. Chairman, I do not propose to take 5 minutes in a discussion of this amendment. The other day I fell under the influence of the gentleman from Ohio [Mr. HOLLISTER], when he discussed this provision, to the extent of feeling that at least one conjunction ought to be changed, which was from "or" to "and." I asked the gentleman at that time whether he would offer an amendment to that effect, and he stated he would have so many more important amendments to offer he might not offer an amendment on this point. However, he did offer an amendment today, but it was very much broader than the amendment I have just offered, because he limited the eligibles to bankers.

I feel that perhaps it would not be asking too much that a man should have both education and experience. His education might be limited and his experience large, or vice versa. I thought I would make that much of a concession at least to the gentleman from Ohio by offering an amendment which would require that a man for such an important position should have both an education and experience along the lines required; that is to say, in national economics and monetary policies; so that it could not be claimed that some braintruster who never had any experience whatever but a vast amount of university culture and theory could be selected for membership on this highly important board.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Colorado [Mr. MARTIN].

The question was taken; and on a division (demanded by Mr. MARTIN of Colorado) there were—ayes 20, nays 55.

So the amendment was rejected.

Mr. HOLLISTER. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment by Mr. HOLLISTER: On page 49, line 44, after the word "Board", strike out the words "to serve as such until the further order of the President."

Mr. HOLLISTER. Mr. Chairman, this is the second of the points to which I object, particularly as being a cumulative

increase in power, first, the power of the Federal Reserve Board over the operation of the Federal Reserve banks, and now an increase in the power of the Chief Executive over the Federal Reserve Board. I am pointing this out because it is one of a series of steps.

The wording which I ask to be stricken out of this bill is that wording which makes the appointment of the Governor of the Federal Reserve Board, and his continuation in office, solely at the will of the President. The law at the present time is to the effect that of the membership of the Board one shall be designated by the President as Governor. It has been stated by a number of representatives of the Federal Reserve Board that at the present time the President has full right to remove the Governor of the Federal Reserve Board at will. The only answer that can be made to that is, that if that is so, why are we asked to state specifically in this bill that the President shall have that right? There has been no attempt made by any President to remove a Governor. There has been no suggestion that he has this right, and if it is true that this bill makes no change whatsoever in existing law, then there can be no harm whatsoever on striking this provision from the bill.

Mr. Chairman, may I point out to the members of the committee that of the Federal Reserve Board of eight, at the present time, the President has the appointment of the Governor and the Vice Governor. There is also the Secretary of the Treasury, who is, of course, an appointee of the President, serving ex officio. There is also the Comptroller of the Treasury, who is generally considered an administration man, serving ex officio. If it is stated specifically that the President has the right of removal of the Governor and Vice Governor, it really puts in his hands the control of 4 out of 8 members of the Federal Reserve Board, and when we increase, as we are asked to do in this bill, the power of the Federal Reserve Board over not only the executive operation of the Federal Reserve banks, but also over various functions of the banks with respect to credit, then I say we are enormously increasing the possible executive power over the whole banking structure of the country, as well as the credit system.

Mr. BROWN of Michigan. Will the gentleman yield?

Mr. HOLLISTER. I yield to the gentleman from Michigan.

Mr. BROWN of Michigan. Does the gentleman think it is wise to leave the law in an uncertain condition? By the gentleman's statement he has indicated that he thinks it is an uncertain condition at the present time.

Mr. HOLLISTER. I would, of course, prefer to have it understood that the Governor was not removable.

Mr. BROWN of Michigan. Does not the gentleman think the matter would be set forth clearly if his amendment was that the President should not have the right?

Mr. HOLLISTER. I know there are a number of gentlemen on that side who have some thoughts along this line. If they have amendments which they think would cover this situation better than my amendment, I suggest that they offer their amendments. I am objecting to the existing language in the bill. I know there is little chance of getting in a further provision of that kind.

Mr. BROWN of Michigan. I am such a warm admirer of the gentleman's ability as a legislator that I think his amendment ought to be in proper form instead of indefinite form as it is.

Mr. HOLLISTER. I thank the gentleman for the compliment, and the gentleman will at least go a certain distance with me if he will accept my amendment to take out the language I suggest.

Mr. BROWN of Michigan. No; I do not want it to be uncertain.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio.

The question was taken; and on a division (demanded by Mr. HOLLISTER) there were—ayes 30, noes 55.

So the amendment was rejected.

Mr. ENGEL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ENGEL: Page 48, line 19, strike out subsection (2) of section 203.

Mr. ENGEL. Mr. Chairman, section 203 (2), which I would strike from the bill, provides that a pension be paid to the members of the Federal Reserve Board after having served 5 years or more, the amount of such pension varying from $5,000 a year paid to a member who has served 5 years and increasing automatically at the rate of $1,000 for each year additional service until the sum of $12,000 a year is reached after such member served 12 years. The committee report attempts to justify the payment of such pension in the following language:

> This amendment is for the purpose of making the members of the Board more independent by eliminating the possibility of their official actions being influenced by the necessity of seeking positions in the banking world after the expiration of their terms as members of the Board if they are not reappointed.

In other words, in order to prevent a member of this Board from granting special favors to certain banks with the hope of getting a job, they are going to pension him for the rest of his life. Any man who is subject to pressure of this kind is not fit to sit upon the Board and should not be appointed. Remember, we are appointing six men who are expected to be experts in their field who must be financiers—men who have had enough banking experience to be able to run successfully the entire banking system of the United States. If these men are successful men—as they should be—they should not, and do not, need this pension. If a man during his entire lifetime, including the 12 years' service on the Board, for which he has been paid a total sum by the Government of $144,000, has not accumulated sufficient assets to make him independent without depending upon a pension for a livelihood, then he cannot be such a successful business man as would qualify him to sit upon this Board.

Assuming a man under this section were appointed at the age of 32 years (William Jennings Bryan was candidate for President at 35), and that man served 12 years at $12,000 a year, receiving a total of $144,000, and then were pensioned at $12,000 a year; assume further that he lives until the age of 74 (a possible and a probable case), he would then have received from the Government more than one-half million dollars—to be exact, $504,000 for that 12 years' service. Again assuming a man were appointed at 32 years of age to fill a vacancy, served 5 years at $12,000 a year, and were not offered reappointment, and lived to the age of 74, that man would have received $60,000 for the 5 years' service and $185,000 for the 37 years' pension at $5,000 a year, or a total of $235,000 for 5 years' service.

On Tuesday the gentleman from Maryland graciously yielded to me for a question on this subject. When I timidly ventured the statement during the discussion of this problem that I was thinking of the other fellow down the line to whom we expected to pay a pension of $15 a month, the gentleman from Maryland said that I made a demagogic statement; in other words, he charged me with being a demagogue. If advocating a proposition which would pay to these financiers, after 12 years' service at $12,000 a year, a pension of $12,000 a year, making it possible for one of these men to receive more than one-half million dollars in cash for his 12 years' service—I repeat, sir, if advocating such a proposition makes the gentleman from Maryland a statesman, he is welcome to be called such. If, on the other hand, the mere fact that I ventured to express a thought for the great mass of people to whom we expect to pay $15 a month under this old-age-pension law; if a thought of them makes me a demagogue, I am proud of the name. If trying to speak a word for these poor people, who, like Lazarus, are hoping that a few financial crumbs may fall from the table of Dives; if, sir, thinking about them makes me a demagogue, I glory in the name.

[Here the gavel fell.]

Mr. MARTIN of Massachusetts. Mr. Chairman, I ask unanimous consent that the gentleman's time be extended 3 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. FORD of California. Mr. Chairman, will the gentleman yield?

Mr. ENGEL. Yes.

Mr. FORD of California. Is it the gentleman's understanding that the Government pays this pension?

Mr. ENGEL. The Federal Reserve bank pays it.

Mr. FORD of California. And it does not come out of the Government.

Mr. ENGEL. But why should they be paid this money?

Mr. FORD of California. But the fact is that the Government does not pay it.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. ENGEL. Yes.

Mr. McFARLANE. In answer to the gentleman from California let me say that this comes out of profits made by the use of the credit of the Government of the United States, so that indirectly it does come out of the profits of the Government of the United States.

Mr. ENGEL. Mr. Chairman, to me the very idea of offering a man who is qualified to operate the banking system of the United States a pension is an absurdity.

A few weeks ago, 253 Democrats voted down a Republican proposition—only 1 Republican voted with the Democrats—to increase the amount paid under the old-age-pension law from $15 to $20 a month. I am giving these 253 Members an opportunity to vote to eliminate a proposition which gives these financiers from $5,000 to $12,000 a year pension after having served from 5 to 12 years at $12,000 a year. I am wondering whether these 253 Democrats who voted down this $5 increase in the old-age-pension law will now vote to retain a $12,000 pension to be paid these financiers as provided in this bill.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan.

The question was taken; and on a division (demanded by Mr. ENGEL) there were—ayes 48, noes 52.

Mr. ENGEL. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. STEAGALL and Mr. ENGEL.

The Committee again divided; and the tellers reported that there were—ayes 92, noes 81.

So the amendment was agreed to.

The Clerk read as follows:

SEC. 204. (a) Subsection (i) of section 11 of the Federal Reserve Act, as amended, is amended by adding the following at the end thereof: "The Board may assign to designated members of the Board or officers or representatives of the Board, under rules and regulations prescribed by the Board, the performance of any of its duties, functions, or services; but any such assignment shall not include the determination of any national or system policy or any power to make rules and regulations or any power which under the terms of this act is required to be exercised by a specified number of members of the Board."

(b) Section 11 of the Federal Reserve Act, as amended, is amended by adding at the end thereof a new subsection as follows:

"(o) It shall be the duty of the Federal Reserve Board to exercise such powers as it possesses in such manner as to promote conditions conducive to business stability and to mitigate by its influence unstabilizing fluctuations in the general level of production, trade, prices, and employment, so far as may be possible within the scope of monetary action and credit administration."

Mr. GOLDSBOROUGH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. GOLDSBOROUGH: On page 51, strike out everything from lines 4 to 10, inclusive, and in lieu thereof insert the following:

"(o) It is hereby declared to be the policy of the United States that the average purchasing power of the dollar as ascertained by the Department of Labor in the wholesale commodity markets for the period covering the years 1921 to 1929, inclusive, shall be promptly restored; and that after such restoration shall have been achieved, the purchasing power of the dollar shall be maintained substantially stable in relation to a suitable index of basic commodity prices which the Federal Reserve Board shall cause to be compiled and published in complete detail at weekly intervals.

"The Federal Reserve Board, the Federal Reserve banks, and the Secretary of the Treasury are hereby charged with the duty of making effective this policy. To this end it shall be the duty of the Secretary of the Treasury to establish or cause to be established in the United States a free and open market in which gold and silver may be bought and sold for use, investment, or trade, and to determine, without limitations, and with the advice of the Federal Reserve Board, the amounts and the prices at which the Treasury shall buy and sell gold and silver."

Mr. STEAGALL. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I ask unanimous consent to proceed for 15 minutes.

The CHAIRMAN (Mr. WEAVER). Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. STEAGALL. Mr. Chairman, I wish to direct the attention of Members to the question of constitutionality which has been raised in connection with this legislation.

In his remarks before the House of Representatives on May 4, 1935, the gentleman from Kentucky [Mr. SPENCE] expressed the opinion that section 205 of the Banking Act of 1935, H. R. 7617, is unconstitutional for the reason that the bill contains a delegation by Congress of its legislative power to coin money and regulate the value thereof, that the bill does not state any policy or standard to guide or limit the Board in exercising such power, and that, therefore, the attempted delegation of authority is invalid.

This contention is completely refuted by section 204 (b) of the bill which declares that it is the policy of Congress that the Federal Reserve Board shall exercise its monetary powers in such manner as to promote conditions conducive to business stability and to mitigate unstabilizing fluctuations in the general level of production, trade, prices, and employment. This statement constitutes a guiding principle and merely leaves to the Federal Reserve Board the administration of the policy of Congress and the application of such policy to such conditions as may arise from time to time. An examination of the decided cases on this point shows that the guiding principle stated in this bill is much more definite than those contained in similar grants of authority to the executive branch of the Government which have been upheld by the Supreme Court.

The recent decision in *Panama Refining Co.* v. *Ryan* (293 U. S. 388), the so-called "hot oil case", is readily distinguishable on the ground that Congress stated no policy or standard whatever to guide or limit the President in exercising the power granted, but instead left to the Executive absolute discretion as to whether or not the prohibitions of the act should be put into effect. It is interesting to note that all of the cases cited by the Supreme Court in the "hot oil" case were cases in which the Supreme Court had upheld the constitutionality of laws granting authority to the executive branch of the Government.

A reading of the hearings before the House Banking and Currency Committee discloses that the specific provision of the bill which Mr. SPENCE regards as containing an unconstitutional delegation of legislative power is section 205, which relates to the open-market operations of the Federal Reserve System. Mr. SPENCE infers that the bill contains some new delegation of legislative power not found in the Federal Reserve Act as it now exists. It is submitted, however, that an examination of the existing law and of the provisions of section 205 of the bill will clearly demonstrate that there is no delegation in the bill different in principle from that now contained in the present law and that the only change is in the group to which the power is delegated.

Under the provisions of section 12 (a) of the existing Federal Reserve Act, the open-market operations of the System are vested in the Federal Open Market Committee, the Federal Reserve Board, and the Federal Reserve banks. Section 205 of the proposed bill would give the Federal Reserve Board complete control over the open-market operations of the System except for the requirement that the Board must consult the Open Market Advisory Committee before making any change in open-market policy. Thus it may be seen that

there is no change in the power granted but merely a change in the group to which it is delegated.

Accordingly, it seems that Mr. SPENCE's charge of unconstitutionality should be directed against the existing Federal Reserve Act rather than against the proposed banking act. In this connection, however, it should be observed that open-market operations of the Federal Reserve System constitute only 1 of 3 instruments of credit control exercised by that body, the other 2 being the power to fix discount rates and to establish reserve requirements. The grant of the first two of these powers has been held constitutional in the case of *Raichle* v. *Federal Reserve Bank of New York* (34 Fed. (2d) 910 (C. C. A. 2d, 1929)).

The only guiding principle stated in the existing Federal Reserve Act is that certain action shall be taken "with a view of accommodating commerce and business." Since the statement of objectives contained in the proposed banking act is much more definite and comprehensive than the statement in the existing law, the enactment of the bill would render the constitutionality of the grant of power to control open-market operations, fix the discount rate, and establish reserve requirements even clearer than it is in the existing law.

In his attack on the constitutionality of section 205 of the bill, Mr. SPENCE ignores the fundamental question at issue, namely, whether the statement of policy in section 204 (b) of the bill is sufficiently definite and comprehensive in the light of the decisions of the Supreme Court passing upon similar questions. Mr. SPENCE apparently places considerable reliance upon the "hot oil" case—*Panama Refining Co.* v. *Ryan* (293 U. S. 388)—which he states is "right in point." The most casual reading of that case discloses that the Supreme Court found that nowhere in the statute under consideration had Congress declared or indicated any policy or standard to guide or limit the President in exercising the delegated powers. In this connection the Court stated:

> The Congress left the matter to the President without standard or rule to be dealt with as he pleased.

The situation existing in that case is readily distinguishable from that presented by the proposed banking act which contains a clear and definite statement of objective. In this connection, it is respectfully suggested that the cursory manner in which Mr. SPENCE passes over the statement of policy in section 204 (b) of the bill may indicate that his objection to the bill is not actually based upon the absence of a guiding principle but instead upon a preference for some other guiding principle.

Another point of distinction between the bill and the statute involved in the "hot oil" case is the kind of power delegated. In that case Congress granted to the President power to prohibit the shipment in interstate commerce of oil produced in violation of State quotas and attached criminal penalties to violations of the President's orders. But the power granted by the proposed banking act is merely a power to control the purchase and sales by Federal Reserve banks of certain securities. Although such transactions may have an influence upon the volume and cost of credit they are not matters over which Congress ordinarily exercises control. In the statute involved in the "hot oil" case the President could determine whether or not the prohibition would be effective at all, whereas in this bill the only power granted is that to control a function which the Reserve banks have exercised since their organization.

A review of the leading cases decided by the Supreme Court upon this question shows conclusively that the guiding principle stated in the bill is much more complete and definite than the statements which have previously been held to be sufficient.

In *Field* v. *Clark* (143 U. S. 649), the Court considered a statute authorizing the President to suspend the free introduction of certain articles into the United States "whenever, and so often as the President shall be satisfied" that the governments producing them imposed duties which in view of the free list established by the act, the President "may deem to be reciprocally unequal and unreasonable." The court upheld the statute and stated that the only discretion granted to the President related to the enforcement of the policy established by Congress.

In the above case the only principle for the guidance of the President was whether the duties were "unequal and unreasonable." These words do not express anything like as definite a principle as that contained in section 204 (b) of the bill which directs the Board to promote business stability and to mitigate unstabilizing fluctuations in the general level of production, trade, prices, and employment.

In *Buttfield* v. *Stranahan* (192 U. S. 470), the Court upheld an act which authorized the Secretary of the Treasury to "establish uniform standards of purity, quality, and fitness for the consumption of all kinds of teas imported into the United States." In its opinion, the Court said:

> This in effect was the fixing of a primary standard, and devolved upon the Secretary of the Treasury the mere executive duty to effectuate the legislative policy declared in the statute. * * * Congress legislated on the subject as far as was reasonably practicable, and from the necessities of the case was compelled to leave to executive officials the duty of bringing about the result pointed out by the statute. To deny the power of Congress to delegate such a duty would, in effect, amount but to declaring that the plenary power vested in Congress to regulate foreign commerce could not be efficaciously exerted.

Certainly the direction to "establish uniform standards of purity, quality, and fitness" for tea is no more definite than the direction to mitigate unstabilizing fluctuations in the general level of production, trade, prices, and employment. The statement of the Court that Congress legislated on the subject "as far as was reasonably practicable" is especially significant in the present situation. It is submitted that it would be no more feasible for Congress to attempt to lay down specific and detailed directions as to the course to be followed by the Federal Reserve Board in exercising credit control than it would be for Congress to enact specific and detailed standards of purity, quality and fitness for tea.

The statute upheld in *United States* v. *Grimaud* (220 U. S. 506) authorized the Secretary of Agriculture to "make such rules and regulations and establish such service as will insure the objects of such reservation, namely, to regulate their occupancy and use and to preserve the forests thereon from destruction; and any violation of the provisions of this act or such rules and regulations shall be punished", as provided in other sections. In upholding this statute against the charge that it constituted an unlawful delegation of legislative power, the Court made the following statement:

> From the beginning of the Government various acts have been passed conferring upon executive officers power to make rules and regulations—not for the government of their departments but for administering the laws which did govern. None of these statutes could confer legislative power. But when Congress had legislated and indicated its will, it could give to those who were to act under such general provisions "power to fill up the details."

The cases upholding the grant of authority to the Secretary of War to determine whether bridges constitute unreasonable obstructions to navigation illustrate the extent to which the courts have gone in upholding the sufficiency of statements of policy for the guidance of the executive branch of the Government. The only principle for the guidance of the Secretary of War is that he "shall have reason to believe" that any bridge "is an unreasonable obstruction to the free navigation of such waters." *Union Bridge Company* v. *United States* (204 U. S. 364). Likewise, the grant of authority to the Interstate Commerce Commission to enforce reasonable rates is accompanied by a statement of policy much less specific than that contained in the proposed Banking Act. The principle established for the guidance of the Interstate Commerce Commission is that rates shall be just and reasonable considering the service given, and not discriminatory. The Supreme Court, however, has repeatedly upheld the validity of the Interstate Commerce Act against charges that it contained an unconstitutional delegation of legislative power. *St. Louis & Iron Mountain Railway* v. *Taylor* (210 U. S. 281); *Intermountain Rate Cases* (234 U. S. 476).

It is respectfully submitted that the guiding principle stated in the banking bill is fully as definite and compre-

hensive as any of the above statements of principle and, accordingly, that the grant of power in the bill is in accord with the principles of the Constitution as construed by the Supreme Court.

A reading of the hearings before the House Banking and Currency Committee discloses that the specific provision of the bill which Mr. SPENCE regards as containing an unconstitutional delegation of legislative power is section 205, which relates to the open-market operations of the Federal Reserve System. In referring to such section at the hearings, Mr. SPENCE several times uses the word "new", apparently to convey the impression that the bill contains some new delegation of legislative power not found in the Federal Reserve Act as it now exists. However, an examination of the existing law and of the provisions of section 205 of the bill clearly demonstrates that there is no grant of power in the bill different in principle from that now contained in the present law and that the only change is in the group to which the power is granted.

Under the provisions of section 12 (a) of the existing Federal Reserve Act, as interpreted by the Board's regulation M, the open-market operations of the Federal Reserve System must be initiated by the Federal Open Market Committee through a recommendation of a particular open-market policy to the Federal Reserve Board. Such a recommendation becomes effective only when and to the extent that it is approved by the Board. When an open-market operation has been recommended by the Federal Open Market Committee and approved by the Federal Reserve Board, each Federal Reserve bank then has the right to decide whether or not it will participate in such operation. As will be seen, the above arrangement constitutes a grant of the power to carry on open-market operations to three different groups. Although the Federal Reserve Board does not have exclusive control of open-market operations under existing law, it nevertheless does have such control that no open-market operation can be carried on without its approval.

Under the provisions of section 205 of the proposed bill, the Federal Reserve Board would have complete control over the open-market operations of the Federal Reserve System with one qualification, that the Board must consult the Open Market Advisory Committee, consisting of five representatives of the Federal Reserve banks, before making any change on its own initiative in the open-market policy. It thus appears that the power to engage in open-market operations is changed from the Federal Reserve Board and two other groups to the Federal Reserve Board alone. If this can properly be called a delegation of legislative power, it certainly cannot be called a new or different delegation. Accordingly, it seems that Mr. SPENCE's charge of unconstitutionality should be directed against the existing Federal Reserve Act rather than against the proposed banking act which embodies no change from the existing law in the amount or kind of power delegated.

It should be observed that the open-market operations of the Federal Reserve System constitute only one of three instruments of credit control exercised by that body. The Board's power to fix discount rates and its power to establish reserve requirements are also important instruments of credit policy. The case of *Raichle* v. *Federal Reserve Bank of New York* (34 Fed. (2d) 910 (C. C. A. 2d, 1929)) brings out clearly the relation of control of open-market operations and the fixing of the discount rate as instruments of credit control and upholds the constitutionality of the grant of these powers to the Federal Reserve Board and the Federal Reserve banks. In that case the plaintiff sought to restrain the Federal Reserve Bank of New York from engaging in open-market operations and raising the discount rate on the ground that such action by the bank was an unlawful violation of plaintiff's rights. The court dismissed plaintiff's bill and held that the action of the Federal Reserve bank was lawful. In its opinion, the court stated:

> The foregoing provisions enable the Federal Reserve banks, without waiting for applications from their member banks for loans or rediscounts, to adjust the general credit situation by purchasing and selling in the open market the class of securities that they are permitted to deal in. The power "to establish from time to time, subject to review and determination of the Federal Reserve Board, rates of discount to be charged by the Federal Reserve bank", appears in the act (12 U. S. C. A., sec. 357) with the open-market powers. The two powers are correlative and enable the Federal Reserve banks to make their rediscount rates effective.
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> * * * * * * *
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> Certainly it was lawful to engage in open-market transactions by the sale of securities, to fix the rediscount rate, and to decline to rediscount eligible paper. Purchases and sales in the open market are specifically authorized by the act.

With regard to the constitutionality of the Federal Reserve bank's power to fix the discount rate, the court said:

> While it is alleged in the bill that the rediscount rate "has been arbitrarily and unreasonably raised", it was for the defendant, subject to the supervision of the Federal Reserve Board, to determine what would be a reasonable rediscount. It is not contended that the provision for fixing rates of discount is unconstitutional, nor would it seem even reasonable to argue that it is, after such decisions as *First National Bank* v. *Fellows ex rel. Union Trust Co.* (244 U. S. 416, 37 S. Ct. 734, 61 L. Ed. 1233, L. R. A. 1918C, 283, Ann. Cas. 1918E, 1169), and *Westfall* v. *United States* (274 U. S. 256, 47 S. Ct. 629, 71 L. Ed. 1036), as well as the *Legal Tender cases* (110 U. S. 421, 4 S. Ct. 122, 28 L. Ed. 204), *Farmers' & Mechanics' National Bank* v. *Dearing* (91 U. S. 29, 23 L. Ed. 196), and *McCulloch* v. *Maryland* (4 Wheat. 316, 4 L. Ed. 579).
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> The act being constitutional, we are asked to hold that the bank may not sell its own securities and fix the rates at which it will discount or rediscount paper, when it is given the power by the specific terms of the Federal Reserve Act to do all of these things.

The grant of power over open-market operations contained in the new bill is not a new or different delegation from that contained in the present Federal Reserve Act, which has been held valid on numerous occasions. The new bill is even more clearly constitutional than the existing law, since the bill contains a statement of policy more definite and comprehensive than the statements upheld in many cases by the Supreme Court.

The language of the law upon which the appellate court predicated this decision in the New York case was "accommodation of commerce and business." Is there any man who will say that this language is any more specific for the guidance of the Federal Reserve Board than to require the Federal Reserve Board to ascertain whether or not policies in operation are conducive to business stability and to mitigate unstabilizing fluctuations in the general level of production, trade prices, and employment?

I believe that a fair legal interpretation of the language of the bill before the House is that it gives a broader definition of policies than that contained in the law upon which the decision of the court in the New York case was based.

Mr. SHORT. Mr. Chairman, if the gentleman will yield, the distinguished Chairman of the Committee on Banking and Currency will admit, however, that without the Goldsborough amendment there is serious question as to the constitutionality of this particular provision, but that if the Goldsborough amendment is adopted it will at least tend to make more certain the constitutionality of the bill.

Mr. STEAGALL. I do not claim a place among the able lawyers of the House, but if the gentleman wishes my opinion, I would say that I have not the slightest doubt of the constitutionality of this act as written or as it would be written if the Goldsborough amendment should be adopted.

I do not desire to address myself further to the question of the constitutionality of this act.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. MOTT. I was not quite sure, although I listened carefully to the gentleman's citation of this case, if the gentleman seriously contends that the case cited is in point, as against the argument made by the gentleman from Maryland.

Mr. STEAGALL. Absolutely. It sustained the constitutionality and the validity of the powers conferred in the present Federal Reserve law which are less specific and less comprehensive than the language employed in the pending bill which I have just read.

Mr. Chairman, no one questions the fact that wide fluctuations in prices are calamitous and that all efforts directed toward keeping price fluctuations within reasonable limits

should be made. But changes in prices are only part of the picture. The maintenance of the national income and of full employment is more important to the national welfare than is the maintenance of a specified average of prices of a selected group of commodities in wholesale or retail markets. When unemployment prevails there is a lack of buying power and, in the absence of an adequate demand for goods, a decline in prices inevitably follows. Maintenance of employment in turn depends on the maintenance of a reasonably constant level of production. In setting up a standard to guide the Federal Reserve Board in the determination of monetary policy, therefore, it has been proposed not to confine the instructions to the maintenance of prices but to make them broad enough to cover all the important elements in economic life, including in addition to prices the volume of production and of employment, which are the factors on which the national income ultimately depends.

Experience has demonstrated that prices alone are not a satisfactory basis for Federal Reserve policy. There have been periods since the war when prices on the average were stable while the volume of production went up or down by as much as 20 percent. The entire orgy of speculation in 1928 and 1929 occurred with a relatively stable level of commodity prices. In fact, it was the stability of commodity prices that prevented a prompt realization of the fact that a dangerous situation was rapidly developing in the security and real-estate markets.

Price changes, furthermore, are likely to reflect conditions that had developed in earlier phases of an economic cycle. By the time that prices begin to move, either up or down, the forces that have caused them to rise or fall may have spent themselves, and monetary policy, in the interest of economic stability and even of price stability, should be reversed, so that the price index is not a satisfactory guide to monetary policy even for the maintenance of price stability itself.

Proposals for price stability as a guide to monetary policy necessarily refer to some index or average of prices, because stability of prices of individual commodities is neither feasible nor desirable. Changes in prices are in fact the mechanism through which economic stability tends to be maintained. This is often misunderstood. Those interested in price stability are thinking for the most part in terms of the prices of their products. For example, the cotton grower is interested primarily in the prices of the cotton which he has to sell and the prices of the goods that he has to buy. A stable general level of prices would not satisfy the cotton grower if it represented, for example, the net effect of a fall in the price of cotton, which is what he has to sell, offset by a rise in the price of food which he has to buy. Nevertheless, under the proposed mandate the Federal Reserve Board would be under obligation to use its influence toward this method of achieving stability. Let us take a concrete example. In 1926 when there was a sharp drop in cotton prices owing to a bumper crop, it would have been the duty of the Board under this proposal to use its influence in attempting to raise the prices of other commodities so as to maintain the stability of the general level of prices. The Board would receive little thanks for that from the cotton growers or from the country as a whole, and its efforts would not be used in the public interest.

For another example, at a time like 1927 when oil prices were declining as the result of new fields being discovered and improved methods of production introduced, it would have been a poor consolation to the producers of oil with falling prices that prices of other commodities, some of which they had to buy, were advancing because of a faithful performance of its mandatory duties by the Federal Reserve Board.

On the other hand, when the price of wheat in 1924 advanced on account of a world shortage, which the Federal Reserve Board could not control or counteract, it might have been satisfactory to the wheat growers if price stability were maintained through a decline in such commodities as they must buy, such as shoes, for example. But would there be justice to the producer of shoes in a sacrifice of the price of his product to the principle of stability, when this stability had been disturbed by a rise in the price of the food that he must buy?

What producers are concerned with, furthermore, is not the price of their product alone, but the net return on the sale of their products, which is the result of the volume produced, times the price, less the volume of materials and other elements of cost, times their prices. In manufacturing industries production is under control, but the volume of sales depends on the market, and prices are often reduced in order to increase sales, and to achieve a maximum return. When profits decline, manufacturers curtail output, and their losses may be diminished by reducing the volume of operation. In agriculture, however, production is less easily influenced because it depends in larger part on natural forces, and changes in buying power of the public are reflected chiefly in price fluctuations. Farmers, therefore, have a direct interest in sustained industrial employment and national income, which are essential for the marketing of crops at profitable prices.

A good illustration of different circumstances that may be reflected in the course of the price level occurred in recent months. Since the early part of last November, the general wholesale price index has gone up from 76 percent of the 1926 average to 80 percent. This has represented the net result of an advance of 17 percent in the price of farm products and of 13 percent in the price of foods, while other commodities during all this period showed little change. This recent rise, furtherfore, has not been general for farm products and foods. It has been largely in livestock and meats. The rise in prices of these commodities has reflected the influence of complex factors, including the activities of the Agricultural Adjustment Administration and last summer's drought. In such a case, should the Board be required to use its influence toward reduction of the prices of other products because the prices of livestock are advancing? And yet the maintenance of price stability would make this course of action compulsory.

Or, again, should prices of domestic articles be depressed because prices of imported goods advance? This would mean that the American people would have to be content with less for what they sell, because they would have the privilege of paying more for what they buy; certainly a doubtful source of satisfaction.

A similar question arises when a technological improvement results in the lowering of prices for commodities, like automobiles or electric refrigerators, for example. Would it be desirable to offset this by raising other prices in order to maintain the sacredness of stability in the general price average? Would it not be better for the country as a whole to take advantage of lower prices to increase consumption, production, and employment, without disturbing other prices?

If the Board were required to work out policies on the basis of a price average alone, without reference to other conditions, the selection of a suitable price index would be a difficult problem. It would occasion debate and would result in dissatisfaction on the part of various groups that would think that some other index than the one selected might have indicated the desirability of a policy more favorable to the particular group. The decision in the end would have to be arbitrary, and yet this decision would make a great deal of difference. Between the middle of 1925 and the middle of 1927, for example, the cost of living index for this country showed little change, while wholesale prices declined by 9 percent. In a period like that, which should the Board try to stabilize? In Sweden an attempt was made to stabilize the cost of living, and, in order to do that, policies were pursued which resulted in an advance of wholesale prices, particularly for imported commodities. In February 1935 the cost-of-living index in Sweden was the same as in September 1931, while the index of wholesale prices was up 6 percent and prices of imported commodities were up 19 percent.

In the final analysis, the object of enforcing price stability is the effect that such stability would have in moderating

fluctuations in business and in assuring justice between creditors and debtors. Price stability, therefore, is not so much an end in itself as a means to an end. What is proposed in the pending bill is to direct the Federal Reserve Board to use such powers as it has in attempting to bring about the desired end itself, namely, a more stable level of production and employment, as well as prices. It is believed that this objective is better, not only because it is more general and, therefore, is not beset by the numerous technical difficulties that have just been described, but also because it is more direct and aims at what must be the ultimate objective of monetary policy, namely, a condition of sustained prosperity for the people of the entire country. Of course, this is the desire of the author of the pending amendment; a desire cherished by all of us.

I wish to pay tribute to the gentleman from Maryland [Mr. GOLDSBOROUGH].

He and I have labored for many years as Members of the Banking and Currency Committee of the House. No one here has a deeper appreciation of the gentleman's splendid ability, the high quality of his patriotism, his devotion to his convictions or a more affectionate regard than I have for my beloved friend, the gentleman from Maryland. Anything I may say about this legislation relates to the legislation itself and involves no criticism of my warm friend, the gentleman from Maryland.

Mr. Chairman, this question has been before the Banking and Currency Committee for many years. We have had before us many of those who are regarded as the best experts in the country. We had the Strong bill, an entirely different measure than that proposed here today, but we were told in 1927 that the Strong measure would work the same magical achievements that have been outlined so eloquently before you this afternoon.

Later we had another bill known as the "Goldsborough bill", which was considered by our committee for quite a time and on which hearings were held. That was still another measure different from the proposal now presented but likewise put forth as a sane remedy for our economic ills.

In 1932 this House passed what was known as the "Goldsborough bill" by a large vote. I want to say that the Members need not imagine that they are voting for this same bill when they support the amendment now proposed to the pending bill. Just here let me say that when that measure was before us gold was selling at $20 an ounce. It is now selling at $35 an ounce. The bill in 1932 provided that it should be the duty of the Federal Reserve Board and the Federal Reserve banks to use their power to reestablish the price level of the period from 1921 to 1929 as disclosed by the index of commodity wholesale markets of the Department of Labor and to stabilize prices upon that basis. That is not the proposal before us this afternoon as embodied in this amendment.

We were told by the experts in 1932 that the provisions of the Goldsborough bill and the stabilization of prices at the 1926 level was the answer to our problem. A little later the same experts came before us and told us that the remedy was to be found in the devaluation of the dollar by reduction of the gold content. Later on the same experts told us that the commodity index sought to be established in the bill of 1932 sponsored by the gentleman from Maryland [Mr. GOLDSBOROUGH] was not the answer to the problem but we must resort to a basic commodity index in order to accomplish the desired results and to secure the relief so much desired.

After that we had a bill making provision for a monetary authority. The authority was to be a sort of supreme court of finance. The members were to hold office for life and draw salaries, like the members of the Supreme Court of the United States, and we were to entrust power to them to do the job by means of the manipulation of gold.

A few days ago in connection with the consideration of this bill one of the experts, for whom I have the kindliest regard and respect, and who appeared before us year after year during the time this question has been before us, told us that he had just recently found the answer. This gentleman had depicted from time to time the glowing results and lasting relief that would come to the people of the United States by the adoption of each of the various proposals. The same economist came before us the other day and said that he had recently found the real answer, which he said was 100 percent reserves to be maintained by the banks.

Mr. Chairman, that is the teaching that our committee has had during these recent years. I mention this to show that even those who are supposed to know so much change their position from year to year and do not come before our committee a second time with the same program.

Mr. Chairman, I read from the pending amendment. This is what the gentleman offered in the House in 1932:

> It is declared to be the policy of the United States that the average purchasing power of the dollar as ascertained by the Department of Labor in the wholesale commodity markets for the period covering the years 1921 to 1929, inclusive, shall be promptly restored; and that after such restoration shall have been achieved, the purchasing power of the dollar shall be maintained—

And so forth.

That in substance is what was in the Goldsborough bill of 1932. But now our experts tell us that is not sufficient, that it is not the answer; that the wholesale commodity market index is a rigid, inflexible standard which is unresponsive to the operations and policies undertaken by the Federal Reserve Board. So that it will not do. The gentleman from Maryland adopts that view. So he does not stop with that provision. He adds this further paragraph:

> That after such restoration shall have been achieved, the purchasing power of the dollar shall be maintained substantially stable in relation to a suitable index of basic commodity prices which the Federal Reserve Board shall cause to be compiled and published in complete detail at weekly intervals.

An analysis of the amendment must justify the statement that the power conferred under the second paragraph is inharmonious with the first paragraph and would confer upon the Federal Reserve Board the power to select an index of basic commodity prices and which would confer upon the Federal Reserve Board the power to change the effect of anything achieved under the first paragraph. It would confer an additional power not necessarily in harmony with that carried in the first paragraph. Under these provisions everything would depend upon the Board.

[Here the gavel fell.]

Mr. STEAGALL. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. STEAGALL. Mr. Chairman, the second provision would give the Federal Reserve Board a new power, separate and distinct and out of harmony with the first, and susceptible of administration that would nullify the first provision. The amendment, however, does not stop there. It goes further and says:

> It shall be the duty of the Secretary of the Treasury to establish or cause to be established in the United States a free and open market in which gold and silver may be bought and sold for use, investment, or trade, and to determine, without limitation, and with the advice of the Federal Reserve Board, the amounts and the prices at which the Treasury shall buy and sell gold and silver.

The last provision has finally included silver along with gold in the powers of manipulation that are to be conferred upon the Secretary of the Treasury. This power is now vested in the President. Of course, it is limited to a 50-percent devaluation of the gold dollar, but those powers are in the President.

If, as the gentleman stated here this afternoon, it could be demonstrated that by the manipulation of gold the Secretary of the Treasury could accomplish all the glowing achievements outlined by him, there is no necessity for the provisions of the first and second paragraphs because there is no question here about the powers that are conferred by the last paragraph of this bill. The Secretary of the Treasury is authorized to deal in gold and silver "without limitations", and in the exercise of these powers he could pay $1,000 an ounce for gold or silver if he saw fit to use the

power conferred "without limitations" under the language of the amendment.

Mr. GOLDSBOROUGH. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. GOLDSBOROUGH. I want to suggest to the gentleman that the Secretary of the Treasury and the executive departments of the Government have elected to fix the price of gold and silver.

Mr. STEAGALL. Yes; I stated that. But under the amendment the powers would be "without limitations."

Mr. GOLDSBOROUGH. And there is no free market for them now. This amendment would change that.

Mr. STEAGALL. I understand that.

Mr. GOLDSBOROUGH. I do not want to take the gentleman's time.

Mr. STEAGALL. I understand the authority would be free from any restriction. There would be no limitations to the power of the Secretary of the Treasury to manipulate the value of gold and silver. I thought I had made that clear.

Mr. GOLDSBOROUGH. Only for the purpose, however, of raising the price and fixing it.

Mr. STEAGALL. Oh, yes; but what becomes of your government of law when you confer such powers upon the Secretary of the Treasury? I should think that any human being, however great, would dread the thought of such vast powers and responsibility.

Mr. Chairman, members of our committee have found that these men who know so much about this question do not agree among themselves. The fact is, not one of them agrees with himself very long!

[Here the gavel fell.]

Mr. STEAGALL. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

Mr. PETTENGILL. Mr. Chairman, I ask unanimous consent that the gentleman be given 5 additional minutes and that the gentleman devote the time to answering questions.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. STEAGALL. You may adopt this amendment, and when you have enacted it into law you will simply find that you have conferred upon the Federal Reserve Board and any incoming administration about the same powers that we are conferring under this bill. The situation is such that we are forced to trust these officials of the Government to deal intelligently and constructively with the powers entrusted to their hands.

Some of us do not believe that in the present confusion that exists here and throughout the world, the Federal Reserve Board and this administration should be put in a strait-jacket with rigid, inflexible requirements that many of the brightest minds of the economic world advise us are impossible of fulfillment.

The present administration is dealing with these problems as best it can day by day. There is no lack of sympathy with the objectives desired by the gentleman from Maryland, in which I share and in which every Member of this House shares, and which the administration has disclosed is dear to the hearts of those who are responsible for the administration of the Government at this time.

The President is attempting to meet these difficulties step by step. He has done it in a broad, sympathetic, constructive way, and we are making progress. He has before him at all times full and complete information of world conditions, as well as developments in the United States, and in view of the sympathy he has shown and the great progressive steps he has taken in solving these problems, he should not be restricted and hampered in future efforts in meeting these tremendous responsibilities as they arise from day to day, until we can find our way out of the darkness and into the light. [Applause.]

Mr. HOEPPEL. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield to the gentleman.

Mr. HOEPPEL. The gentleman made certain references to certain experts, whom he criticized——

Mr. STEAGALL. I beg the gentleman's pardon. I did not mean to criticize anybody.

Mr. HOEPPEL. Will the gentleman kindly state to the Committee who the experts were that drafted this bill?

Mr. STEAGALL. I do not think the gentleman expects me to stop now to go into a discussion of the preparation of this bill.

Mr. HOEPPEL. Did the Secretary of the Treasury draft this bill?

Mr. STEAGALL. Everybody knows where this bill came from. This bill came from the administration intrusted by the American people to supply leadership for the battle with the difficulties that confront this Nation, and they expect you and me to support that administration. [Applause.]

Mr. GOLDSBOROUGH. Now, Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. GOLDSBOROUGH. The gentleman has made a very broad statement and I must call his attention to the fact that the members of the steering committee of the House that met day before yesterday were unable to agree with what the gentleman now says, that there is any mandate from the administration to support this bill.

Mr. STEAGALL. I have not mentioned the steering committee nor what the steering committee did.

Mr. GOLDSBOROUGH. No; but the steering committee is supposed to speak for the administration.

Mr. STEAGALL. I said this bill represented the efforts of the administration chosen by the American people to supply leadership to guide us out of the difficulties of this hour, and I repeat that statement. The statement was made over the radio by the President himself and was published in the press of the United States, which justifies the representation that the administration is back of this measure.

Mr. PETTENGILL. Were we not elected by the people?

Mr. STEAGALL. Oh, yes; and I hope you will be elected again. [Applause.]

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I move to strike out the last word, and ask unanimous consent to proceed for 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. WOLCOTT. Mr. Chairman, for a year and a half we have been giving a great deal of study to the commodity dollar. I assume that the amendment offered by the gentleman from Maryland [Mr. GOLDSBOROUGH] is in keeping with the bill which has been introduced for the stabilization of the price commodity index.

I have been a member of a subcommittee with the gentleman from Maryland, and I might say that I was very sympathetic with the program which he presented. I was sympathetic with the bill introduced by the gentleman last year, by which a monetary authority was to be set up whereby the prices of commodities might be regulated through manipulation of the currency, and while this amendment has been before the public during the last 2 weeks we have been flooded with requests from agricultural associations for the enactment of this amendment.

Now, I represent an agricultural district, and I have analyzed this from the standpoint of the farmer. I think if I had found anything in the amendment which would bring them some relief, anything which would remove the disparity between the things they sell and the things which they buy, I might consider it favorably. But I want to refer particularly to the fact that in the bill introduced a year ago there was established for the purpose of stabilizing commodity prices an independent agency of the Government.

But there was no politics in that agency, because it was provided in the bill that if the price of commodities rose 10 percent or went below 10 percent of an established index line the Board would automatically go out of existence. That is how far that went in establishing an independent board.

Personally, Mr. Chairman, I cannot see anything in the amendment which will remove the disparity between the price of what the farmer pays and what the farmer buys. The farmers are hoping against hope, thinking that this bill would do what the proposed monetary authority might do. There is no connection between the Federal monetary authority bill and this amendment.

Now, Mr. Chairman, this is an entirely new theory as far as the Federal Reserve System is concerned. It is a new set-up. Subsection (o) on page 51 establishes a new policy, wherein the Federal Reserve Board is charged with the responsibility of stabilizing prices. This in distinction of the present purpose of the System, which is to effectuate financial stability. This is the first attempt to bring the two together in close affiliation—price stability and financial stability.

Mr. KELLER. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. In a moment. By financial stability I mean what the Republican Party platform said that party stood for, and what the Democratic platform said that party adhered to, namely, a sound currency. You cannot put the power to stabilize business into a political board with any degree of confidence. I was interested in what our chairman said about these economists who appeared before the committee; and let me augment what he said by the statement that of the 15 or 20 economists who appeared before the subcommittee and who have appeared before our committee in the last year and a half, they were in accord on only one question, and that was that the quantity of money which is outstanding has very little relationship to the commodity price index. They did agree, however, that velocity of credit controls the price of commodities; and we cannot have velocity of credit, my friends, until we have confidence, and we cannot have confidence in this country until we stop tinkering with the currency. [Applause.]

Mr. KELLER. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. Yes.

Mr. KELLER. Did I understand the gentleman to say that this is the first attempt to inject this idea into the Federal Reserve System?

Mr. WOLCOTT. Yes.

Mr. KELLER. I call the gentleman's attention to the fact that the original bill contained this very thing and was rejected by this House. That is the fact.

Mr. WOLCOTT. I am not attempting to cover the history of the Federal Reserve System. I was talking of the law as it now exists, and the change from the law enacted in 1913 that this bill proposes.

Mr. KELLER. But this idea was in the original bill.

Mr. WOLCOTT. Mr. Chairman, what we want to accomplish, if anything at all, is stability not only of our domestic currency but also of international exchange, so that we can sell the products of our farms and factories in foreign countries. As far as I know there is no country other than the United States that has anything approaching a bimetallic reserve behind its currency. There is no country with the exception of possibly one that has adopted the commodity-dollar theory, and that country has relatively a small number of commodities, and so we stand alone among the nations of the world on something that somewhat resembles a bimetallic base, and our situation would not be improved were we to adopt this theory of a commodity dollar. With the possible exception of one country there is no other country in the world that has that standard. How can we deal with foreign countries, how can we sell our farm produce and the products of our manufacturing establishments unless there is some community between the pound, the franc, the dollar, and all these other kinds of money? So, eventually, the large nations of the world will have to get together on a common base. Whether that base is gold, whether it be silver, or be a bimetallic base or a symmetallic base, does not matter so much, as long as there is a common understanding among the nations of the world that that is a common base on which we can exchange our goods and credits. So we are getting farther away from international stability by adopting this amendment which sets up the commodity dollar, just as we have gotten farther away from international stability by tinkering around with silver. I am not afraid of silver, but it is just as logical for me, coming from Michigan, to insist that you monetize copper on a 50-to-1 basis as it is for you gentlemen who represent silver-producing States to insist that silver be remonetized, based on a 16-to-1 ratio. I am not particularly anxious about that base, so long as it is a base on which we can stabilize our domestic trade and in our dealing with other nations stabilize our exchange. [Applause.]

Mr. KELLER. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I am sorry I cannot yield.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. CROSS of Texas. Mr. Chairman, if you will adopt the Goldsborough amendment you will put the scales of justice into this bill. You will substitute for a dishonest dollar an honest dollar, and you will remove the conditions that have existed in the past whereby this country was plunged into wild inflation and in its aftermath wreck and ruin. I am surprised at the chairman's speech. This is a sovereign body of men sitting here representing 126,000,000 people. Every man should use his own brain. Of course, we go along with the administration, but surely we are not expected to accept every bill that comes from every bureau as perfect, to which we cannot offer an amendment. The provision in the bill that the Goldsborough amendment takes the place of is a milk-and-cider proposition. The Goldsborough amendment is specific and direct. Surely the chairman remembers, if he remembers the testimony of all of those who have come before the Banking and Currency Committees of the House and the Senate for 4 or 5 or 6 years, who testified they were constantly confused, they knew not what policy to pursue, they had no goal, and the amendment of Mr. GOLDSBOROUGH gives them the goal.

The rest of the bill gives them the machinery. It gives them the rediscount rates, the power of raising and lowering the reserves of the banks, and the open-market transactions. That gives them the machinery, but with that machinery they have no goal at which to aim. Every member of the board differing among themselves as to what is stable business, as to what is the stable financial situation, as to where they ought to go, or what they ought to do. There are just as many needles pointing to different goals as there are men on the board. Every needle points in a different direction for the North Pole.

Mr. JOHNSON of Texas. Will the gentleman yield?

Mr. CROSS of Texas. I yield.

Mr. JOHNSON of Texas. Would not the adoption of the Goldsborough amendment seek to correct the criticism as to the constitutionality of the bill, by prescribing a definite mode by which those values should be placed?

Mr. CROSS of Texas. Unquestionably. You heard a decision read by an inferior court. That is one of the strong evidences that it would be unconstitutional, because if the Supreme Court guesses right, the inferior court 9 times out of 10 guesses wrong. But this gives the board a clear, definite goal to work to. It gives them the levers they need. It takes away doubt and confusion, so that they will have somewhere to drive to. If you leave this bill as it is, suppose they take a notion that present conditions are all right; suppose they take a notion that there should be twice as much inflation as there was in 1928; suppose they take a notion that we ought to have more contraction, but they cannot get together. Influences come to bear on them. But here the Congress tells them what they shall do. That is our duty.

Mr. MAY. Will the gentleman yield?

Mr. CROSS of Texas. I yield.

Mr. MAY. Does the gentleman think it is prudent or wise to vest powers in the Federal Reserve Board without directing them how they shall be used?

Mr. CROSS of Texas. I do not think so. I think this Congress should give them a goal to go to. Then we would be performing our duty.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. STEAGALL. Mr. Chairman, I have no desire to cut off debate, but I want to inquire if we may not agree upon the time which shall be used in the further discussion of this amendment?

Mr. PIERCE. Well, I would like a minute on this bill. I have not taken much time. I think it is improper to try to cut off debate on so important a measure as this.

Mr. GRAY of Indiana. Mr. Chairman, reserving the right to object, I have asked for 5 minutes on this question.

Mr. STEAGALL. Mr. Chairman, may we agree upon 40 minutes? I ask unanimous consent, Mr. Chairman, that all debate on this amendment close in 40 minutes.

The CHAIRMAN. The gentleman from Alabama asks unanimous consent that further debate on this amendment be concluded in 40 minutes. Is there objection?

There was no objection.

Mr. GIFFORD and Mr. GRAY of Indiana rose.

The CHAIRMAN. Is the gentleman from Massachusetts [Mr. GIFFORD] opposed to the amendment?

Mr. GIFFORD. I am opposed to the amendment.

The CHAIRMAN. The Chair thinks he should recognize some Member in favor of the amendment at this time. The Chair recognizes the gentleman from Indiana [Mr. GRAY].

Mr. GRAY of Indiana. Mr. Chairman, it has been well and truly said that all great problems by power analysis can be resolved into a few propositions capable of simple presentation and understanding by the people. I believe that this is true of our currency problems, of our economic and industrial problems, of the problems of this panic and depression, of the solution of the cause, looking to a rational remedy and a restoration of normal conditions.

The problem is a problem of prices, a problem of low values and prices, a problem of high values and prices, a problem of falling values and prices, a problem of rising values and prices, a problem of the control of values and prices.

The new Congress convened in 1933, on full and proper inquiry, found that the depression was caused by a failure of the buying and consuming power, the inability of the people to buy and consume the products of farm, factory, and workshop. And Congress further found that this failure had resulted from a fall of values and prices which had deprived the people of their earnings and income, and surplus over taxes, debts, and fixed charges, which surplus is their power to buy and consume. And Congress further found that a recovery of normal prosperity required a rise of values and prices, for a return of earnings and income and a restoration of the buying and consuming power.

The solution reached by Congress on the facts found and considered that it was the fall of values and prices which destroyed the buying and consuming power and brought on the panic or depression, has not only been generally accepted as true, but it has been proved and conclusively shown that the congressional diagnosis was right, the precise and exact economic operations whereby and under which the fall of prices destroyed the buying and consuming power can be followed, traced, shown, and demonstrated to a conclusive mathematical certainty.

When this crisis fell upon the farming industry, with the higher normal values and prices, the farmers were selling not more than one-third of their crops with which to pay taxes, interest, and fixed charges, and were left with the other two-thirds or more, with which to buy, take, and consume the products of mill, factory, and workshop. But when the sudden fall of prices and values came the farmers, instead of being required to sell only one-third or less of their crops and produce to pay taxes, interest, and debt installments, were forced and compelled to sell three-thirds or all of their crops and produce with which to pay taxes, interest, and fixed charges, and were left with no part or surplus over, of their crops and produce to sell, with which to buy, take, and consume the products of factory, mill, and workshop. And the buying and consuming power of 40,000,000 farm population and dependents were destroyed and taken from them.

And finally this failure and destruction of the farmers' buying and consuming power left the retail merchants without demand, left the wholesale house without sales, left the factory, mill, and workshop without orders. And the wheels of industry slackened and slowed down and brought unemployment to industrial labor, and destroyed the buying and consuming power of another 30,000,000 and their dependents, and the fatal circle of hard times was realized and complete.

And likewise the same economic operations carried backward and in reverse order for a rise of values and the price level, will restore a surplus of earnings and income over debts, interest, taxes, and fixed charges, the buying and consuming power of the people, is now no less conceded as proved and demonstrated.

Pursuant to the cause so found and requirements and remedies so determined, Congress provided two different relief policies whereby to raise and restore values and prices and bring back a return of earnings and income first, and primarily a restoration of farm buying and consuming power. One policy providing for the restoration of values and prices was the farm-crop reduction and destruction plan which provided for the reduction and destruction of farm food, clothing-material crops, and stock, and a processing tax levied upon the people of the towns and cities whereby to raise prices and increase farm income.

It was further found by Congress that the fall of values and prices had come coincident or following a contraction and withdrawal of money and that a restoration of values and prices required a return of money back in circulation. And as another and further remedy provided, and upon the facts found and pursuant to these conclusions reached, Congress authorized and ordered printed $2,000,000,000 of new money to be used to replenish the money supply.

And, in obedience to the authorization and order, the printing of the new money was begun, and the great newspapers of the country, announcing and heralding the beginning, published photos and picture illustrations showing the Treasury force and officials carrying great armfuls of the new money or currency preparatory to its use to restore the money supply in circulation.

Following this congressional authorization and order, Congress enacted the currency provisions of the Farm Relief Act of May 12, 1933, providing four different forms of currency to be resorted to in the alternate or all used together concurrently as may be found required for the purpose. These currency provisions provided for the remonetization of silver, for the revaluation of gold, for a resort to Federal Reserve notes, and for the issue of United States currency notes, but all was left permissive and optional for administration and enforcement.

Immediately with the enactment of the crop-reduction and destruction measure, the act was entered upon with an army of employees for administration at the cost of millions. In good faith and obedience to law, millions of acres of fertile farm land were withdrawn or taken from cultivation and left to grow in weeds and waste. Millions of acres of farm food crops and farm clothing-material crops were plowed up or otherwise destroyed while the people in the towns and cities were hungry and suffering for food, and were shivering in the cold for want of clothing to protect their bodies.

But the reduction and destruction of farm food supplies and clothing materials were not confined to farm crops but the administration has been carried to farm food stock as well. Two millions of young, immature hogs have been ordered killed and withdrawn from the farm food supplies, and the dead bodies of slaughtered pigs, if lain in a row one after the other, would form a line hundreds of miles long, of decaying, decomposed meat food.

But more than the destruction of millions of young, immature hogs and the wholesale food supply destroyed, over one-half million of mother swine have been cut open and disembowled and millions of posthumous pigs torn from the entrails and thrown out, to rot and decay with the butch-

ered mothers, and the barnyards and brood lots made a veritable Golgotha of bone and decaying flesh, all to prevent an adequate food supply and to make sure of a scarcity and raise prices arbitrarily.

Every farmer has been commandeered as an executioner for the reduction of a declared surplus supply of farm food and dairy stock, and every farm made a slaughter pen and marked in crimson gore and left wreaking in the stench of the decaying animal carcasses.

A surplus of dairy stock was declared and thousands of young heifers and milk cows have been ordered left unbred and shipped to market for slaughter and sacrificed for common beef to reduce the milk supply available to the towns and great cities, all to limit the supply of milk and milk products and to raise the price of milk products, dwarfing and stunting ill-fed children and jeopardizing the life of new-born babies dependent upon dairy food to live and compelling distracted parents to pay more for less without more to pay with.

And further and in pursuance of the crop reduction and destruction plan, while the people of the towns and cities are compelled to pay for less without greater earnings to pay with, a processing tax is levied upon them to make up to the farmers for their loss by destruction.

And while the country is waiting in suspense for the realization of restored prices of crops by reduction and destruction, billions are being borrowed at interest and charged against posterity and the future, for the relief of the millions waiting unemployed and on relief. And this course and policy is continued until the present is burdened with crushing tax assessments and the future generations to come are to be born with a millstone of debt dangling and weighing upon their necks and hobbled by a debt chain and ball fastened and riveted to their childhood ankles.

And now at the end of the weary, bloody trail of the farm-relief administration, the reduction of food, and the destruction of clothing material, the cruel slaughter of mother swine, more remain idle and unemployed and the army is still recruiting. And with the processing taxes levied upon the diminishing, vanishing food supply to raise and lift farm prices and compel the people to pay more for less, and borrowing billions at interest and piling high the debt burden to provide relief during the strain of the remedy, more millions remain on the relief rolls.

Certainly it will not or cannot be said that the farm-relief measures have not been fully and adequately administered, that the remedy has not been tried out, that the people had not borne the sacrifice, that human patience has not been exhausted sufficiently for trial as a temporary expedient or to demonstrate a permanent relief program. Certainly the administration of the farm crop-relief measures has been pursued and carried to complete exhaustion of the remedy and to the limits for men to bear, and nothing has been left undone to measure the merits of the farm-relief program under the crop reduction and destruction plan.

But while the farm-reduction plan was entered upon promptly and vigorously, the currency relief measures were left without administration or enforcement. The two billions of new money ordered prepared disappeared from existence as if by magic and without going into circulation as intended. There has been no remonetization of silver. There has been no resort to Federal Reserve notes. There has been no issue of United States currency notes. There has been no revaluation of gold to effect the purpose for which intended as provided by the Currency Relief Act.

The phrase "the devaluation of gold" means the same as a rise of prices and values measured in the relative value of money. The dollar has been devalued externally abroad but not devalued internally here. The dollar now calls for 59 cents abroad, but here was where the law was to operate, here where the benefits were intended, here the people of this country in order to pay their taxes, interest, and debts must still give up a dollar and twenty-four cents' worth of labor products and property to obtain the dollar with which to pay.

With an understanding of the operations of money, that the enforcement of the currency measures restoring back into circulation the money secretly withdrawn from circulation would cause the stolen value to leave money and return again to property, commodities, and labor, it is plain to be realized why the crop reduction and destruction plan was urged, prosecuted, and advanced even at the awful economic sacrifice and loss and the costs mounting in the billions, the currency measures were left suspended with only a mere pretense of administration.

It is plain to be realized why the two billions of new money ordered prepared for immediate use, and first heralded far and wide in newspaper photo illustrations, to replenish the volume of money, has never been used or paid out but concealed or secretly destroyed. It is plain to be realized why the currency provisions of the Farm Relief Act enacted by Congress May 12, 1933, providing four different forms of currency wherewith to replenish the money supply, were left held permissive and optional and have never been resorted to nor administered for the purpose intended.

It is plain to be realized why the manipulating bankers and financiers who had made billions from the depression by the manipulation of money and credit through the transfer of commodities and labor values to their money bonds and war debt claims, claimed the right to be left in control of money. And why they have exerted their great powers to advance other relief measures, crop reduction, borrowing and spending, while holding the currency measures from administration and enforcement to prevent a return of money and credit, thereby to save their ill-gotten gains.

The Goldsborough amendment, here offered to the pending banking bill, is to make these currency measures mandatory, to compel their administration and enforcement, to require the money secretly withdrawn from circulation to be returned back for use in circulation for a restoration of normal values, prices, and wages.

If this amendment is adopted, the 1926 price level will be restored, $50,000,000,000 in values will be restored to farm property alone, and seventy-five millions in values to other property. It will restore ten billions farm earnings and incomes, as buying and consuming power of the farm population, which will give employment to 8,000,000 workers, two and one-half times the Works Relief appropriations. It will start the factory wheels turning. It will disband the army of unemployed. It will take the suffering, starving, shivering people from the relief rolls of the country. It will treble farm incomes without the reduction of crops, without the destruction of crops, without the slaughter of immature hogs, without the disemboweling of mother swine, without the slaughter of dairy herds, without the scarcity of the food and clothing supply.

It will lift the cruel blight from nature's copious bounty. It will restore normal prosperity alike to farm and industrial workers and will leave the people again to revel and exult in the pride and pleasure of living independent from their own labor and rejoicing bringing in the sheaves. It will restore the tax-paying power, the interest, and the debt-paying power, whereby to save and salvage the homes and farms of the people remaining in the shadows of foreclosures, and fathers, mothers, and children from the stigma of insolvency and bankruptcy.

It is not only the parity of farm prices with the prices the farmers have to pay that is necessary for farm relief. It is the far greater disparity of the prices at which the farmer must sell with the taxes and debts he must pay. Taxes assessed and payable today were fixed on a higher level of prices, on the basis of higher farm earnings and income, and the interest, debts, and money contracts today are largely renewal-debt obligations entered on the basis of higher prices and under earnings and income—higher.

The fall of values, prices, and wages while interest, taxes, and debts remained unchanged, has left the farmers suffering a crushing disparity by increasing and multiplying taxes and debts measured in labor and the products of labor in which they are and can only be paid. This is the parity of prices, the parity with taxes, interest, and debts, which must

be restored to the farmer as well as to all the debtor class before the people can pay their debts, before they can salvage their farms and homes and safeguard themselves from bankruptcy, and make a surplus over from which to live.

In order for the farmers to prosper to meet and pay their mortgages and debts and save their farms from foreclosure, they must not only have a parity of prices with the prices they are compelled to pay, but they must have their price level restored for their full and normal production. There is only one way to accomplish this and that is to restore the money supply which was secretly withdrawn from circulation and reverse the money operations which forced down values and prices until values and prices are raised again, and the debt-paying power is restored with a surplus for buying and consuming power. Debts were not only contracted under higher price levels, but under earnings from a full crop reduction. And they can neither be paid under a lower price level nor under a higher price level from a part crop but only under higher prices from a full crop.

No one is proposing or demanding the repeal or suspension of the crop-reduction plan in advance of the administration and enforcement of the currency relief measure to restore farm values and prices. But many serious-thinking people, including farmers, are imperatively demanding and insisting that the currency relief measure be enforced at the earliest possible date so the reduction and destructiveness of farm food crops and stock can be suspended and relief and normal conditions can be restored with plenty, and abundance made available to all.

While assuming to restore farm parity prices under crop reduction and processing taxes with prices farmers must pay for farm equipment and supplies, at the same time under the N. R. A. codes, the antitrust laws are suspended and manufacturers of supplies were and are left free to raise prices to farmers still higher. And prices to farmers have been raised still higher for lumber and all building materials and all farm equipment and supplies and making the disparity in farm prices, with the price they must pay still greater.

It is no longer a question of which policy shall be followed for permanent, rational relief, the crop reduction plan, or the currency relief measures, to raise values, prices, and wages, and restore the buying and consuming power. The one and only question remaining between these two relief policies is, How long shall the crop-reduction plan with its wholesale reduction and destruction of farm food and clothing material, with its counterpart of borrowing and spending, be continued, for temporary relief upon the country? Or, in other words, how long shall the currency relief measures for the restoration of money back in circulation be deferred and further postponed, or how long can the policy be postponed while debts are increasing and multiplying, with crop reduction and destruction decreasing their power and ability to pay?

But regardless of the merits of the farm reduction and destruction program as a temporary relief measure, the whole program must sooner or later be abandoned as a menacing danger to human welfare and is so declared by those administering the act. Secretary of Agriculture, Henry A. Wallace, must be accepted as authorized to speak and declaring the policy of the farm reduction plan at Angola, Ind., August 9, 1934, the Secretary after urging farm reduction as necessary for the immediate present and to be adhered to for the time being, said:

> It is true that the farm reduction program cannot go (be carried) on forever. That would be disastrous, but it is the best to follow at present.

This means, and is a realization, that all wealth and human sustenance must come from the ground, all from the bosom of mother earth; and that men can only prosper, can only live better and in greater enjoyment of life accordingly as they labor and prod the earth to provide more and better of its fruits for their better enjoyment and well-being.

And the people laboring under debts, as well as all people who would live better, can only pay and discharge their debts and obligations, can only live better and in greater enjoyment by prodding the earth to produce more and better of its fruits; and that a failure to produce or a reduction of the fruits of the earth, or a destruction of the fruits of the earth, is a cruel, fatal, failing policy, or in the language of the Secretary of Agriculture, "that would be disastrous." And further in the language of the Secretary, "That cannot go on forever", meaning that the crop-reduction plan is a mere temporary expedient to be resorted to for the time and only until a permanent, a rational remedy can be provided and carried into force and operation.

But the farm reduction or destruction program has not, will not, and cannot bring full, adequate relief to the farmer, even temporary for the time being. This not only appears on principle and theory, but is demonstrated by actual experience. The one and only purpose of restoring prices is to restore the farm earnings and income, is to give the farmers more money from their farms, is to give them a greater surplus over, after the payment of taxes, debts, and fixed charges, for their use as buying and consuming power. There are only these two plans or ways proposed to raise values and the price level. One way is by crop reduction or destruction, by creating a scarcity of want and/or supply. The other plan is by a restoration of money and credit back in circulation.

It is only the processing tax levied and collected from the consumers of farm foods and materials and paid to the farmers as a bonus which is increasing or can increase his earnings and give him more money from his farm, to provide him with a surplus over after the payment of taxes, debts, and fixed charges. But the processing taxes provided for in the farm-relief program were never intended or proposed or urged as a permanent or continuing policy of taxation to provide the farmers a continuing bonus and was and is contemplated to be removed at the earliest possible date for the relief of farm-food consumers of the towns and cities and as soon as other relief is provided.

Sooner or later, in the immediate future, the farm reduction or destruction plan, if continued, will be left entirely to depend wholly upon the increased price from crop reduction and without the payment of the bonus to augment and increase the farmer's income and give the farmer more money from his farm.

While the crop reduction or destruction plan, after the processing taxes and the bonus are discontinued, as they are to be discontinued, will not give the farmer more money, will not restore the farm surplus over taxes, debts, and fixed charges, his means to live and provide for his family, it will work a great wrong and hardship upon the laboring and common classes who live in the towns and cities, whose wages and earnings are not yet restored and who will be compelled to pay more for less without more earnings to pay with, decreasing the demand for farm products by decreasing the power to buy and consume.

The currency relief measures under the general operation of money and credit will raise and restore all values and prices and will increase all earnings and income, the wages of industrial labor as well as farm prices and income.

And when the people in towns and cities shall be required to pay more for their farm food supplies, they will have more to pay with and instead of buying less, they can and will buy more, increasing the demand for farm-food products.

The crop reduction and destruction plan, creating a scarcity or want of supply, will give the farmers a higher price for a part crop or the same money for a reduced crop as for a full crop at a lower price, but will not give the farmer greater earnings or income nor bring him more money from his farm. Raising farm prices and decreasing production is like the jugglery of tax rates and valuations. Lowering the rate and raising the valuation or raising the rate and lowering the valuation will yield no less or greater taxes. And raising the price by reducing farm production

will give the farmer no more money from his farm. There is only one way to restore higher values and prices for the full crop or normal farm production. The restoration of money back in circulation will give the farmer higher prices for his full crop or normal production and will give him more money from his farm.

The two relief measures enacted, one providing for crop reduction and destruction and the other for a rise of values and prices by a reversal of the secret currency operations, restoring the stolen money back in circulation, may be compared or contrasted with the two ways of fighting fire—one by blasting and destroying surrounding buildings to prevent a spread, and the other by throwing water and chemicals and quenching the fire and saving the surrounding houses. The first, by destroying the surrounding buildings, is often justified to meet the emergencies and as a temporary expedient resorted to, but only until the fire engines can be put in operation and the fire brought under control, when the destruction of the surrounding buildings should be halted and stopped and the fighting confined to water and chemicals.

And so it is with farm-relief measures, the crop reduction and destruction plan, and the restoration of currency back in circulation. The reduction and processing plan was justified as an emergency measure, as a temporary expedient for the time, and until other and rational remedies could be provided and applied. But the continuation of the crop-reduction plan, the destruction of the food and clothing materials, while the people are starving and freezing, and while holding back and postponing the administration of the currency measures, would be like a continuation of the blasting, destroying surrounding buildings after the fire engines had arrived and the water and chemicals were ready to be thrown upon the fire and all means were at hand for its control. It would be folly as unjustified and criminal as the fighters of the city continuing their wanton destruction of buildings and refusing to start the fire engines and the operations of the chemical tanks after their arrival ready for operation.

If the currency relief measures enacted early in the special session providing for a restoration of the money supply had been promptly and in good faith entered upon, administered, and enforced, the price level would have been restored and there would have been no necessity for crop reduction and destruction, no necessity for the killing of little pigs, no necessity for disemboweling mother swine, no necessity for the slaughter of dairy herds, while the people were suffering for food and clothing.

And if these currency relief measures were enforced and administered now as the Goldsborough amendment here offered to the pending Federal Reserve bank bill would mandate, this crime against God, humanity, and nature—this destruction of food and clothing materials, in the sight of the starving, cold, and shivering—could be re-called and stopped, and farm values and prices would be restored to a higher normal level and stabilized. And the farmers of the country could rejoice in a restored buying and consuming power and the people of the towns and cities could revel and exult in like buying power and in plenty and great abundance.

There is one and only one reason why the currency-relief measures have been delayed and are being postponed. And that one single reason is that if the money secretly withdrawn from circulation was now restored back in circulation and the general-commodity price level raised, the men who have made billions from the fall of commodity and labor values, the property of the common masses of the people, and the resulting increase and multiplication of money bonds and money contract values, still owned and held by the certain special few—these men who have made billions would lose a part of their ill-gotten gains. And the one and only reason why the manipulating bankers and financiers, who have made their billions from the panic, by the secret contraction and withdrawal of money, have urged and are still urging adherence to the crop-reduction plan, the collection of the farm food-processing tax and its payment as a bonus to the farmers, is because the amount of farm food required by these certain special few men and the increase in price to them is small, trivial, and insignificant as compared to the billions which a restoration of currency would take from their money and money contracts, and return it back to labor and labor products, from where it was secretly taken.

These money-mad manipulating bankers in their desperation to make and hold surplus wealth and swollen fortunes and save their jeopardized, ill-gotten gains, would dry up the fountain source of the farm-food supply required to sustain life and of clothing and housing material to protect and shelter the body. They would leave the people suffering, writhing, starving, freezing, gasping for economic breath, while money-mad misers hover and brood over their piles of brazen gold in greedy grasp of what they cannot use but for which the world is suffering in despair.

Thanks to the farm and labor leaders, to Edward A. O'Neal, president of the Farm Bureau; to E. H. Everson, president the Farmers' Union; to L. J. Tabor, president the Farmers Grange; to the money crusader, Rev. Charles E. Coughlin; to Frank A. Vanderlip, the philanthropic banker, who places men and human welfare above the dollar; and a host of other advanced economists and students of public currency.

These men have waged and are waging a campaign of currency education, and the black night of monetary serfdom is lifting. The light of a new economic day is breaking. The people are realizing the magnitude of the crimes and crushing burdens imposed and held upon them by the manipulating bankers and financiers under the secret, private control of money.

And let it be said to the everlasting credit and to the everlasting glory of the farmers, the independent tillers of the soil, who work in partnership with nature, that they are recognized as better informed and as possessing a better knowledge of money than any other one class of men.

It was the farmers in communion with God and nature, with their minds as open as the firmament, with their visions broad as the horizon, with courage, resolution, and will breathed from the forests and the plains, who first declared for liberty and independence and won the freedom we now enjoy.

Mr. GIFFORD. Mr. Chairman, in my few remarks, and the remarks probably will be few from the minority side, let me say that we appreciate the endeavor of the gentleman from Maryland to bring back the prices that existed during the reign of Calvin Coolidge, our Republican President. [Applause.] This in itself is pleasing to us, and we regard this quarrel, so to speak, as one amongst the members of the majority party themselves.

The Committee on Banking and Currency listened to this argument about the commodity dollar for many days. Those who appeared before us, rather than being bankers, were so-called " disciples " of the commodity dollar, to whom you and I have listened for years back, and have heard much, of course, in the cloak rooms amongst its vigorous exponents.

Under the cloak of constitutionality the advocates of the commodity dollar hope to win. " The language carried in the bill itself would not be constitutional ", they say, " so let us make it say exactly what we want, that the very directness of the Goldsborough amendment shall make it constitutional." We on this side of the Chamber applaud you when you say: " Let us not continue to delegate such great authority further." But do not let those win who want to delegate by the interpretation of conciseness and exactness, the only method of determining how the commodity-price index shall be arrived at. I deny that this method of attaining price level is anything like they have in England. I prefer the language of the bill in preference to the Goldsborough amendment, as it contains the words " trade, prices, and employment." As I have often said before, enlarge the base from certain commodity prices only.

I do not know what those commodities may be. The gentleman from Maryland mentioned a few the other day. I do not know whether those would be selected. Do you? Does the amount of cotton and the amount of wheat have anything to do with it; or will it be based on averages of salt, pepper, vinegar, and a few other things?

The Goldsborough amendment delegates to the Secretary of the Treasury and the Federal Reserve Board power to provide a suitable price index. Is this sufficient directness to bring it under the cloak of constitutionality? Do we leave them the broad powers of determining whether rubber, wheat, or some few other commodities shall be the basis of the price index? Again, I ask if the word "suitable" is sufficiently exact to make it constitutional. We doubt it.

I say again to the majority: It is your own fight; we congratulate you on trying to get back to normalcy; but as I often say: Do not pick out only a few commodities; watch your own dollar and see where your own dollar goes and let them not base that dollar on the spending of 20 percent of it; use the words in the English law, "Trade, employment"—many pay much money for wages. Do not base the value of the dollar on those few commodities, and the ones to be selected not known to us.

So, again congratulating you that you are trying to get back to the Republican days of prosperity, let me say that in my opinion the method you suggest is about as unconstitutional as the other. [Applause.]

[Here the gavel fell.]

Mr. PIERCE and Mr. HANCOCK of North Carolina rose.

The CHAIRMAN. The Chair thinks he should recognize someone in favor of the amendment. The Chair recognizes the gentleman from Oregon [Mr. PIERCE] for 5 minutes.

Mr. PIERCE. Mr. Chairman, I think it was Will Rogers who first said there are two kinds of crazy people: Those in the asylums and those who think they know all about money. I do not believe I belong to the first class, nor do I claim to know all there is to be known about money; but I have made a study of the subject, and I want to add what weight I have to this discussion.

I am going to vote for the Goldsborough amendment. I believe it is a move in the right direction. There is no question that the world is up against managed currencies. Any student or any reader today must recognize this fact. The question is, Who is going to manage the currency? Is it going to be the Government—our friends on the other side of the aisle say, "It cannot be that, because that is political"—or shall it be the private bankers? I take it we are far safer with the currency being managed by the Government, to which the people have intrusted power over money, than we are to have it in the hands of the bankers. [Applause.] We had an example of what the bankers did with it in the crash of 1929. They certainly handled it, and handled it with a vengeance; and they handled the Reserve banks and the Reserve Board all in their own interest, and they nearly wrecked the country. Let us correct the situation at this time, when we have the chance, by strengthening the Reserve Board. There is a man at the head of the Reserve Board, a product of the Pacific Northwest, who in the years to come, many believe, will be recognized as one of the brilliant financial geniuses of the country. This bill, I understand, is largely his work.

The chairman of the committee upbraids us a bit for not following in the footsteps of the administration, claiming this is distinctly an administration bill. I yield to no one on this floor in my admiration of the man in the White House, but I do not believe he wants 435 mannequins here doing just what some bureau head tells us to do. I think each of us should exercise his own judgment and express his real opinion. I do not always agree with the administration. I think we should balance our Budget right now, and I am willing to step outside of my party and vote for tax laws that will come somewhere near, even this year before we adjourn for the summer, bringing in revenue in large enough quantity to pay the running expenses of our Government.

Here is an opportunity for us to put in this act an objective to which the Federal Reserve Board may look when they regulate the amount of currency. It will not be absolutely binding. I think no one will deny that the amount of currency, with all the other factors included, regulates largely the commodity-price level. The gold ounce is still the measure of the balance of trade as between nations. We cannot change that, but I think we are going to have a stalemate if we continue in the world trade and do not have a stabilized currency.

Mr. Chairman, I have formulated my thought on this subject and ask leave to include herewith the following extension of my remarks:

I repeat, I shall vote for the Goldsborough amendment to this bill because I am convinced that it is a commendable attempt to force the Federal Reserve Board to function in the interests of the great majority of the American people. I am not convinced that we are so far advanced that we will be satisfied to accept a currency issued solely on the credit of the Government. I am free to agree with many who have spoken on this bill that an interest-bearing Government bond is no better than a Government note, which we call currency. Both have behind them the credit and the taxing power of the United States, and they should be regarded by the people as of equal stability. However, we should never forget that the great mass of the people are governed by impressions and traditions, especially in regard to money, which some seem to regard as a sort of magic. The interests of the privileged few are best served by keeping the people in ignorance in regard to money. This same superstitious attitude has retarded progress in other respects. Some of the people are now learning economic lessons, but the number is not large. Often the press is either directly or indirectly controlled or influenced by a privileged group which profits from the existing system. It is very easy, indeed, for the disseminators of printed news, so much relied on by the average citizen, to create the general opinion that currency issued without something tangible behind it is fiat, and therefore not good, not valuable. In other words, I believe the favored ones of earth, who have controlled and still largely do control public affairs, can and will continue to mislead and misinform people, possibly because they themselves are not informed and progressive on the subject of money. It is, therefore, my judgment that the only safe and sane plan, at the present time, is to issue currency with a metal backing.

The last Treasury report of the date of May 4 shows that there is in the Treasury $8,725,377,902.50 of gold and $806,-210,699.49 of silver. Using this metal as a 40-percent base, there can be issued against this metallic foundation $23,-828,971,054.75 of currency. We have now outstanding in currency less than one-fourth of this amount. We of the Congress should commence next January an aggressive campaign to force the Treasury to issue this currency in place of selling bonds.

The Goldsborough amendment is an attempt to establish a commodity dollar. This commodity dollar would purchase a given quantity of a number of staple, basic commodities with a resulting change, within narrow limits, of the number of grains in the gold dollar which is to be the standard. The object is to assure that the same number of grains of gold will always purchase practically the same quantities of basic commodities. If this plan of currency can be made to work, it will regulate the prices of wheat, potatoes, cotton, and all the basic commodities used as the index.

It is certain that this country can never return to the straight gold standard which held sway for almost a third of a century. We have too great a proportion of the world's gold. The people are already educated to the fact that they do not need to use any gold, and can do with but a small quantity of silver for their ordinary daily transactions. For 60 years gold was in free circulation in the States bordering the Pacific. Those were days of great prosperity. It is now an accepted fact that all nations will hold all their gold in strong boxes as a base for currency. This is a decided advance toward a more rational money system.

In the light of the fact that we must have a "managed currency", I am willing to try the commodity dollar as

defined and outlined in the Goldsborough amendment. Should this amendment fail to be adopted I shall vote for the banking bill, H. R. 7617, on final passage. I shall also vote for the Cross amendment because I believe the Federal Reserve banks should belong to and be a part of the United States Government. Should this amendment fail I will still vote for the original bill. My reason for support is the guarantee of permanence of the insurance of deposits in all banks in the System to $5,000, at least. It is my judgment that this insurance should be applied to all deposits and to all banks. However, I have discovered in my legislative career that we seldom get all we want in any bill, and I always welcome a movement in the right direction. Many a time I have accepted a thin slice when I have thought that those whom I represented were entitled to a full loaf.

I was startled when I read in the hearings on this bill that over 98 percent of those who have money on deposit in banks in the System are insured under this $5,000 limit, and that this insured 98 percent of depositors represents only about 40 percent of the money deposited. In other words, less than 2 percent of those who are fortunate enough to have bank deposits own nearly two-thirds of all the money on deposit in the banks of the System. I deeply regret that the original plan to force all banks into the Reserve System has not been carried out. It seems to me it would be a mistake to allow any nonmember bank to come under the insurance plan; hence I shall vote for the Hancock amendments.

I very vividly recall Bryan's third campaign for the Presidency 27 years ago this summer. At that time, guaranty of deposits in banks was incorporated into the Democratic platform. I remember campaigning the State of Oregon from one end to the other discussing, among other issues, the question of guaranteeing bank deposits. It was then considered freakish and somewhat unsound, but I believed in it. I have never changed my viewpoint since I became a convert to this plan, more than a quarter of a century ago. I belong to that group of men who have never been able to understand why William Jennings Bryan, when Secretary of State in President Wilson's cabinet in 1913, did not force a provision in the original Reserve Act guaranteeing bank deposits. It is freely stated by informed participants in the events of the day that, without Bryan's influence, the Federal Reserve Act could not have been passed at that time. Many of us believe that, had he thrown his full force and power behind the proposition of guaranteeing deposits, it would have been provided for in the original act. If such had been the case and deposits up to $5,000 had been guaranteed, how many ruined homes it would have saved!

Many of us are wondering whether there can be any permanent recovery in this country with such an unequal distribution of wealth in cash as is shown by the fact that less than 2 percent of the depositors hold more than two-thirds of the cash of the country. It is certainly true that this bill is a long, long step in the direction which we wish to take. It may take a generation to restore confidence among the people who were so thoroughly frightened that they withdrew one and a quarter billions from their savings accounts in banks and deposited the money with the Government in Postal Savings accounts where it is still held. It will be some time before the average person cashes his Postal Savings certificates and deposits his money in banks, even though the banks carry on their windows the words in which they now take pride, "deposits guaranteed." Those of us who fought so long to attain that status may be heartened now by the fact that people are willing to listen to the suggestion of a managed currency.

We are told that title II is the heart of this bill and that it is to be feared because it concentrates control of the Federal Reserve banks in the hands of the political party in power. I do not fear this. The term "political control" is used as a bogey to frighten the thoughtless. Why elect a party or a group to power and withhold from them the power and responsibility the people desired to delegate to them? Furthermore, where is the private control not influenced by politics and insidious pressure and greed? It is certain that the control of the finances of this country by the great House of Morgan and allied interests has brought disaster and wrecked the millions who trusted "big business." The Federal Reserve System should be Government owned and Government controlled. Title II brings that condition a little nearer and thus commands my support. At the present time the governor of each Federal Reserve bank is elected annually by the directors of that bank. Under the pending bill, the governor must be approved by the Federal Reserve Board. This is as it should be, making a unified System and bringing administration under one head. Each regional Federal Reserve bank should not be a separate unit, but an integral part of the System for which it acts as an agency. It is said that the Federal Reserve Bank of New York, with its power and importance, has dominated the Federal Reserve Board from the beginning. The thing created has grown so strong that it has managed and controlled its creator. It is contended that the governor of the Federal Reserve bank might not have as much independence and freedom if his election were made subject to approval by the Federal Reserve Board. That is true, and that is the way I believe it should be for the welfare of our banking system. The charge is made that the Governor of the Federal Reserve Board can be removed by the President. Why not? This appears perfectly reasonable to me, and on this point I take issue with many who have spoken on this floor, and freely say to you that I fear political control far less than I do selfish and unchecked private control. What could have been more cruel and heartless than the order from private control, after the election of President Harding, to deflate the country, call the farmers' loans, and sanction, favor, abet, and promote the loans and credit to the stock gamblers who brought on the crash of 1929?

The charge is made that open-market operations under this bill will be made by the Federal Reserve Board, and that Federal Reserve banks will be forced to buy and sell Government securities as ordered by the Federal Reserve Board. That is true, and precisely as I think it should be. We would have a calamity right now, a real disaster, facing us if Government securities were to fall 10 points or even less. The price of Government securities must be supported and maintained at all hazards.

I do not agree with the administration in its policy of spending more money than it takes in. I have no faith in the theory that this so-called "depression" is going to pass away in a few brief months. I think we are in a new era, a new world, and facing new conditions. I believe it is right and proper at this time to levy a tax which will bring sufficient money from the many available and unused sources to balance the Budget even in this year of great spending. Until that happy day comes when we can balance the Budget, I shall vote for every act that looks toward the support of the market value of Government securities.

Title III is devoted almost entirely to perfecting amendments, and nothing therein is at all serious from my viewpoint. I am, however, deeply disappointed that I have not, during my time in Congress, found here a better comprehension of the cause and cure of the great debacle which may have shattered the economic system which we have so enjoyed. Something has gone radically wrong. We have practically everything that anybody wants; practically all are willing to work to get their share, but the machinery is not working. The people need the manufactured articles which the factories are ready to fabricate, but the money necessary to buying power is withheld from circulation and use.

I am one of the group which believes that money and its control is largely to blame for the present-day failure. We can safely say that a very small percent of the people, probably less than 4 percent, enjoy more than 85 percent of the Nation's income. Figures vary, so I do not know which statement can be thoroughly relied upon, but it is true that a few have vastly more than they need, while practically one-sixth of our people are eating the bread of charity, and perhaps 10,000,000 are begging for the chance to work.

Nobody wants to wreck or ruin this civilization. The millions on the bread line do not want to destroy the electric

current that furnishes light and power. They have no desire to roll into the ditches the tractors or the automobiles; but I think I can safely say for the unfortunate and suffering millions, that all they desire is the chance to work, to earn money for themselves and their dependents, so that they may all enjoy some of the blessings of this the most advanced of all civilizations. We cannot brush aside this unsolved problem. The solution must be found sometime. It will demand our attention again next winter. Ways and means must be found by which the millions of unhappy ones may have the chance which has been denied them by conditions over which they had no control.

For years I have said that interest and fixed dividends would be our undoing. It is now apparent that interest has certainly been one of the main causes of the wreckage which we seek to repair and to salvage. The determination of corporations and of individuals to collect dividends beyond right and reason and far beyond the ability of the people to pay will probably be numbered by the historian among the contributing factors to our great economic break. Think of a corporation like a telephone company, controlling a natural monopoly, fixing the prices of its services so high that it has drawn into its treasury assets of $5,000,000,000 within one brief lifetime! I hope some student of economic history will make a careful study of the influence of fixed and guaranteed dividends for monopoly.

Were the Hebrews right when they said all debts must be forgiven and canceled every 50 years? Were the ancients right when they said all interest was usury? It is often said that you cannot beat interest, and experience has proved this to be true. I have announced several times in this House that interest rates, if collected at all, should never be greater than the increase of wealth, when measured through a series of years. This increase I estimate to be about 2 percent.

I am told by a classical scholar, Dr. Arthur Patch McKinlay, of the University of California, that his researches indicate that the experiences of Greece and Rome may throw some light on the problems of debt and interest which have so troubled us that the very life of our Nation is imperiled. He points to the legislation of Solon at Athens and to the Licinian laws of Rome (377–357 B. C.), and the financial legislation of Caesar in 48 B. C. He says that Solon solved the problem by canceling all debts secured by mortgage or personal security and by inflating the currency. The Licinian laws provided that the principal of a loan should be reduced by the interest that had already been paid, and provided for liquidation of outstanding accounts, substituting the state for the private creditor. Caesar's legislation was the outcome of an orgy of speculation and deflation following the Second Punic War. It also allowed paid interest to be charged against the principal. He forced money into circulation in 11 days by limiting the amount of cash any person could hold.

Our responsibilities as Members of this House include study of problems of money and of interest. This bill offers the beginnings toward the solution which we shall work out carefully step by step.

Mr. HANCOCK of North Carolina. Mr. Chairman, I rise in opposition to the amendment offered by my distinguished colleague, the gentleman from Maryland [Mr. GOLDSBOROUGH]. If I did not do so, I would do violence to my own best judgment of sound legislation, and my conception of the highly technical problem involved in the question of determining the true objective of monetary policy. I make no claims to expert knowledge on this subject; but my commonsense view of the problem forces me to record myself as being unalterably opposed to this amendment. I have thought of it and studied about it many, many hours. In my opinion the adoption of Mr. GOLDSBOROUGH's amendment would not only be highly dangerous to the welfare of the country but would also quite likely make ineffective the exercise of the powers which Congress is conferring upon its agent, the Federal Reserve Board. Under his amendment the objective is so rigid and restrictive that, it would, in effect, place the board, in whom these powers are to be vested in a strait-jacket, and thereby seriously cripple the accomplishment of the greater objective. May I presume to suggest that you carefully follow my argument, which I believe will convince many of you that the mandate in the bill would not only tend to bring about, in coordination with the greater objective, the price stability which the supporters of the Goldsborough amendment are advocating but will also bring along with it stable employment and general business stability.

An objection that has been made to the bill, and particularly to the amended open-market provision, is that Congress should not increase the powers of the Federal Reserve Board without giving more definite directions as to how these powers shall be exercised. It is said that in the absence of such directions the Federal Reserve Board will not only possess all the instruments of monetary policy but will also determine its own objectives. It is further said that so long as the Federal Reserve Board has the power to determine its own objectives it cannot be considered to be solely an agency to carry out the will of Congress by using the machinery intrusted to it for achieving given objectives, but is a body with certain legislative powers that properly belong only to Congress. The question arises, however, whether a stable price level in itself is the objective to be aimed at or whether the real objective is stable production, employment, and trade, and the assurance of the largest possible national real income. This is aside from the question of the extent to which price stability can be achieved solely through monetary means, a question which, of course, is equally applicable to the broader objective of stable business conditions.

The principal reason, therefore, for opposing price stability as the objective of the Federal Reserve Board is that it would endanger the achievement of the broader and more desirable objective which is business stability.

In the first place, there is the difficulty of choosing what prices are to be included in the index. Let us first take a cost-of-living index. Such an index is proverbially insensitive. Many of the series in a cost-of-living index change hardly at all and in no degree commensurate with the violence of changes in prices and production. Business activity can change in one direction or the other and acquire considerable momentum before such changes are reflected in a cost-of-living index. It is therefore an unsatisfactory guide to monetary policy.

Sweden chose as an objective the stability of a cost-of-living index immediately after it departed from the gold standard. In a few months, however, the objective was broadened in the direction of creating as stable economic conditions as possible and to this end a rise in wholesale prices was favored. The insensitivity of a cost-of-living index is strikingly illustrated by Swedish experience in 1932–34. The index of production declined from 97 to 71 and then rose to 109, and yet the cost-of-living index remained practically stationary throughout the entire period.

Writers on this subject all appear to agree that you cannot stabilize both the level of wholesale prices and the cost of living. From 1913 to 1928 wholesale prices rose considerably more than retail prices. To make the same point in another way, if the retail-price level is stabilized, wholesale prices will fall, whereas if the wholesale-price level is stabilized, retail prices will rise. The explanation of this appears to be that a cost-of-living index includes more services the cost of which rise more rapidly in a progressive economy than the cost of mass production goods at wholesale.

Let us now consider stabilization of a wholesale-price index. This index has one advantage over a cost-of-living index—it is far more sensitive. It has, on the other hand, the disadvantage that it does not measure the purchasing power of money to consumers. There is no point in stabilizing the level of wholesale prices as an end in itself. Stabilization of wholesale prices can be justified only as a means to the end of stabilizing business. From this point of view various criticisms may be made.

In the first place let us assume that a rise in the price of some or all of our imports causes a rise in the wholesale-commodity-price index. In these circumstances it would ap-

pear unwise to adopt a restrictive monetary policy for the sole purpose of depressing domestic prices sufficiently to counterbalance the rise in the prices of imported goods in order to keep the general average stable. Such a policy might easily lead to a depression. Similarly, an expansive policy initiated because of a fall in the level which was due to a fall in the prices of imported goods might be unwise from the point of view of domestic stability.

Let us next consider a rise in the index brought about by higher agricultural prices following a crop failure. Because of a crop failure should we adopt a restrictive policy designed to force industrial prices down? It would appear that the proper policy to pursue in this case would be to permit the rise in the general index which is attributable to the rise in the prices of agricultural goods.

Mr. GOLDSBOROUGH. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK of North Carolina. I gladly yield.

Mr. GOLDSBOROUGH. The gentleman will observe that if the commodity index of 1926 is used, then the index used is of all these basic commodities; so that the level and their production could rise or fall without any influence at all from the action of the Federal Reserve Board.

Mr. HANCOCK of North Carolina. That might be true. But what method is to be employed in establishing the suitable index which is to be the basis of the price level after it has been attained?

Again it has been argued that any declines in the general index which are directly attributable to technological improvements or new discoveries should not call for an expansive monetary policy, since they are not deflationary in their effect.

There are technical problems in the compilation of indexes which affect their trustworthiness as guides to monetary policy. Different results are often obtainable by using a different weighting system. Thus, if a certain commodity or group is weighted heavily in the index, a rise in its price will cause the index to rise; if given little weight, variations in its price may not affect the index at all. Obviously monetary policy should not be dictated solely by changes in the method in which the index is constructed.

The consequences of a given price policy will differ according to the degree of flexibility or rigidity in the economy and according to the role that international trade plays in each economy. Monetary writers have a tendency to minimize the qualifications and modifications necessitated by changes in such factors. Those who formulate policy, however, cannot afford to do so. We are just beginning to realize the extent to which rigidities of prices have crept into our system and the importance of such rigidities in explaining fluctuations in production and employment. We have not as yet grasped the full implications to monetary policy of the lessening flexibility of our system.

It should again be emphasized that we should be interested in stable prosperity rather than in stable prices. How many of us, for example, would be satisfied with stable prices while 20,000,000 people were on the relief rolls? England had a stable level of commodity prices in the 4 years 1931–34, and yet had over 2,000,000 unemployed during all that period. One might meet this objection by postponing the inauguration of a stable price policy until after full employment has been achieved, but this does not really meet it. Rapid technological improvements introduced by monopolists might displace a lot of workers, while resulting in no fall in the general price level, and in this case we would have increasing unemployment under conditions of stable prices.

Finally, there is the insuperable difficulty at a time like the present of choosing the particular level at which prices should be stabilized. The 1926 level is most frequently mentioned, perhaps because that was regarded as a year of normal prosperity. But it would be exceedingly rash to affirm that because a certain state of business activity corresponded at one time with a certain level of prices, therefore, it is only necessary to restore that level in order to restore the same state of business activity. A lot of water has gone over the dam since 1926. Wage rates have changed, interest rates have changed, indebtedness has changed, our international position has changed, and much progress in the methods of production has occurred. It might be hazarded that full employment could be obtained at a lower level than that of 1926, and if this were so, a policy designed to reach that level would result in a boom. It should be remembered that the 1926 level was higher than the 1929 level. On the other hand, it is conceivable that stable prosperity could only be achieved with a level of prices higher than 1926. The point is that nobody knows nor has the means of knowing what the level of prices will be when we have regained a state of stable prosperity. It is interesting to surmise if the fact that the Bureau of Labor Statistics, for purely technical reasons, changed the base of their index from 1913 to 1926, has anything to do with the choice of 1926 as a desirable level. If it had not done so, the index for 1926 would have been 151, which does not look nearly as desirable as an even 100.

In conclusion, let it be again emphasized that the opposition to stable commodity prices as an objective of monetary policy is solely because it is not believed that stable prices need always correspond with stable prosperity. Since it is the latter that we are really interested in, why not say so? If Congress wishes to give the Federal Reserve Board more specific directions than are contained in the present act—and there can be but few here who do not favor expressing a definite mandate for their guidance in this bill—we should adopt the amendment in section 11 of the act, which is clear, definite, and workable with respect to the duties and powers of the Federal Reserve Board, reading as follows, and vote down the Goldsborough amendment:

> It shall be the duty of the Federal Reserve Board to exercise such powers as it possesses to promote conditions conducive to business stability and to mitigate by its influence unstabilizing fluctuations in the general level of production, trade, prices, and employment, so far as may be possible within the scope of monetary action and credit administration.

It would meet the objections we have enumerated to a rigidly stable level of commodity prices by allowing the Federal Reserve Board some discretion in its handling of each situation, while at the same time emphasizing the main objective the Board should and must keep before it. No two business situations are ever alike or represent the same combinations of factors. Each new business situation is in large part a new problem. Hence no rigid or nondiscretionary rule can ever hope to provide the correct solution of a succession of ever-changing problems.

Mr. KELLER. Mr. Chairman, I call the attention of the House to the fact the original bill submitted to this body, which became our present Federal Reserve law, contained this very provision and was stricken out by the action of this House, to the very great misfortune of this country. There has been an effort during all the years since then to reinstate this idea. The thought at that time was that the Federal Reserve Board was being given full power along this line, and they did have the full power if they had cared to assert it. Unfortunately, little by little they gave up the power which the Congress had given into their hands and permitted the misuse of the Federal Reserve System and the Federal Reserve idea.

Mr. Chairman, the thing I desire to speak on most at the present time is the fact we are talking here as if we are going back to the gold standard. Not a chance in the world if we retain our sanity.

Mr. GOLDSBOROUGH. Will the gentleman yield?

Mr. KELLER. I yield to the gentleman from Maryland.

Mr. GOLDSBOROUGH. The original Goldsborough bill passed the House by a vote of 289 to 60, and this provision was stricken in the Senate, not in the House.

Mr. KELLER. I am glad the gentleman called my attention to that fact. This very bill passed the House by a vote of 289 to 60, but was defeated in the Senate because some Senator did not understand just what it meant. [Laughter.]

Another thing I want to get over to you is that when you talk about a standard and what is back of money, there is not any such thing. There is nothing back of our money since we went off the gold standard, and we do not need any-

thing back of our money except the law. The truth of the matter is the only dollar we have is the dollar that is made by law. The law-created dollar is the only dollar we have. We ought to understand that perfectly, because our American gold dollar that had 23.22 grains to each dollar under the gold-standard law varied from 219 cents down to as low as 59.8 cents in value. Let us get that perfectly clear. Now, what does that mean? It simply means if we go to work and use a yardstick that varied from 21 inches to 79 inches long we would have exactly the same variation in measurement that we have had in the measurement of values by permitting the value of the dollar to vary.

Mr. Chairman, the Goldsborough amendment will give us stabilization. The man who does not understand what stabilization means ought to try to find out what the great authorities on that subject have to say about it. We have to come to stabilization some time or other. You can no longer have your dollar value now up and now down without again and again destroying business, as has been so often done by that means in the past.

Mr. REILLY. Will the gentleman yield?

Mr. KELLER. I yield to the gentleman from Wisconsin.

Mr. REILLY. Under the terms of the bill now, cannot the Board indulge in stabilization?

Mr. KELLER. Under the terms of the bill the Board might or might not, just as it pleased. But I am sick and tired of trying to have something done by some board that will do what it pleases, when it is the gentleman's duty and my duty and the duty of every Member here to tell them just exactly what we want them to do. I am not going to submit to that any longer without raising my voice in opposition. That is our business and not the business of some board.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. KELLER. For a question; yes.

Mr. McFARLANE. Does not the gentleman think Congress ought to take charge and perform its constitutional duty?

Mr. KELLER. I do.

Mr. WOLCOTT. Mr. Chairman, will the gentleman yield?

Mr. KELLER. Yes; of course.

Mr. WOLCOTT. I am pleased to hear the gentleman say that. I have been waiting a long time to hear him say that, but that was not my purpose in rising. I understood the gentleman to say that our money at the present time is good because of the fiat of Congress making it good.

Mr. KELLER. Certainly it is; and you have not any other kind of money at the present time except fiat money, law-created money.

Mr. WOLCOTT. May I remind the gentleman that the ability on the part of this Board to stabilize depends upon gold being behind this dollar?

Mr. KELLER. It does not, of course, depend on gold being behind this dollar at all. The gentleman forgets that we are and for sometime have been off the gold standard. That no gold is obtainable and no gold is being used for money except to pay or receive international trade balances. Will the gentleman not get clearly in mind what I said a minute ago, that gold never has had stable value itself? A standard is a thing that does not vary. Anything that does vary, of course, is not a standard. And gold always fluctuates in value.

May I not call attention again to the kinds of money we now have—greenbacks, pure fiat; bank notes founded on Government bonds, themselves pure fiat; Federal Reserve notes, based not on gold—not one penny, but on notes, bonds, bills of lading, every bit fiat; not a penny of gold behind it. The only nonfiat money we have, the only redemption money left is our little bit of silver.

Mr. MURDOCK. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I do not claim to be a constitutional lawyer, but I may say to the members of this Committee today that after I read speeches made by men who do claim to be constitutional lawyers on questions such as the one we have before us today, then I rather assume that in a small degree I have a similar right.

I may say, briefly, on the question of the constitutionality of this bill as it exists today, that I challenge any lawyer in the House of Representatives to now point out to me wherein there is any delegation of any legislative authority or any other authority in the lines from 4 to 10, inclusive, on page 51. In the words of a distinguished member of the committee, it is simply a stump speech, setting out what the policy of Congress is with reference to stabilizing business and commodity prices in the United States.

Men say here today that they do not want to delegate the powers of Congress to a board. I ask you this question: The great volume of money in the United States today is what? It is bankers' money, it is credit money, and until you regulate that by the Government itself you cannot regulate the value of the dollar by any control of the price of gold and silver. You must regulate credit, and I may say this to the gentleman from Maryland—and no one in the House has more respect for the gentleman than I have—if he would introduce a bill taking over the Federal Reserve System entirely by the Government, I would be pleased to follow him [applause], but I think this bill and the Goldsborough amendment are merely camouflage when it comes to revesting in the Congress or putting back in the hands of the Government the right to regulate the value of the dollar in this country.

I say this in opposition to the amendment. We adopted the Gold Reserve Act last year. We adopted the Silver Purchase Act last year. They are monetary bills and that is monetary legislation establishing the monetary policy of this Government, and any interference with those policies by the enactment of the Goldsborough amendment, in my opinion, would be a very sad mistake today.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield for a question there?

Mr. MURDOCK. I yield.

Mr. McFARLANE. Has the gentleman any specific information that would lead him to believe that any of these delegated authorities having an unlimited nature that the Seventy-third and Seventy-fourth Congresses enacted on monetary questions are ever going to be used by the party to whom they were given? Let us declare a policy.

Mr. MURDOCK. In answer to the gentleman's question and to my silver friends on the floor of the House today, let me call attention to this fact: Under the Silver Purchase Act which we enacted in the last Congress, we have boosted the silver price up to 77 cents, as compared with about 37 cents when the act was passed. I ask the silver men here today and the men coming from silver States, how can you afford to place the control of the price of silver back in the hands of the bankers after you have seen the price boosted from 37 cents up to where it is today?

[Here the gavel fell.]

Mr. FIESINGER. Mr. Chairman, I move to strike out the last five words.

Mr. Chairman, I do not think, from what I know about the situation, that the Goldsborough amendment will work, and I wish to give my reason why I think it will not work. Great Britain—the British Empire—and those countries that are in what is called "sterling area", are developing a unit of value that is controlled within its limits by the buying and selling of exchange and gold and silver. In other words, the Bank of England has set up a paper unit of value and is manipulating it in the foreign exchange markets of the world to keep that unit of value within certain limits.

I have said before on the floor of this House that the Bank of England is basing that unit of value upon the 1913 price level. If you will examine the chart, you will see that that price level has gone along for the last 4 years.

As I get it from reading this Goldsborough amendment, we are going to set up the same scheme they are using in England, and where are we going to get off? Instead of going to the 1926 price level we will go back to the 1913 price level in competition with Great Britain. She will bring

us back to that price level, and with the result that the producing classes, yea, indeed, producers throughout the world, will be in bondage for years to come, and the depression and unemployment will continue with unabated vigor.

I am for stability of the exchanges, but in our own interest and not in the interest of the Bank of England crowd.

If you pass the Goldsborough amendment you are going to have a conflict. You are going to try to establish the United States dollar on the 1926 level and the pound sterling on the 1913 price level. Instead of making conditions better in the world you are going to make them more chaotic if you pass this amendment.

Mr. GOLDSBOROUGH. Will the gentleman yield?

Mr. FIESINGER. Certainly.

Mr. GOLDSBOROUGH. The monetary policy of England that will control the price level in England cannot control the internal price level of our country.

Mr. FIESINGER. I will say this: When we sell products of which we produce an exportable surplus, like cotton, wheat, hogs, and so forth, I say to you that England can control the internal policy of this country as to those commodities.

Mr. GOLDSBOROUGH. Let me call the gentleman's attention to the fact that when the Executive fixed the price of gold, commodities did not continue to rise.

Mr. FIESINGER. I do not agree to that proposition. I think there were other causes.

Mr. FIESINGER. While we are on the subject of gold, I should like to offer some observations with the hope of clarifying some of our thinking. Not many days ago I received a letter from a very worthy gentleman asking the question if the world had not abandoned or was about to abandon gold. My answer to him was that it is a mistake to think that the world has abandoned or will abandon gold. The use of gold may be changed or shifted, but its abandonment does not seem possible or plausible or even desirable. Responsible thought in this country has no such thing in mind, and surely the gold-block countries do not so intend, even though they may be forced, as we were, to abandon gold redemption. England is not abandoning gold but merely shifting its use. As I said before, England is experimenting with a bank-controlled paper monetary unit, using gold to stabilize the same. In other words, the paper pound is the end and gold is the means. This requires short explanation. Bank of England notes, expressed in terms of British currency, are dealt in in every foreign-exchange market in the world, just as, for instance, United States Steel stock is dealt in on the New York Stock Exchange. A pool, if it has enough money, under ordinary circumstances may put the stock up or down, or keep it within narrow limits as to price. In England there is a large pool called the "stabilization fund" operating with gold or gold equivalents in all the foreign-exchange markets of the world buying and selling British bank-note money, with the object in view of keeping it within very narrow limits as to purchasing power. Since the inauguration of this pool some 4 years ago England has maintained the purchasing power of the pound sterling over commodities in accordance with the 1913 price level, as revealed by her Board of Trade Wholesale Commodity Price Index. In other words, she uses gold and gold equivalents to stabilize her paper unit of value. This means a stabilized unit of value held in place by unstabilized gold. What the United States and the gold-block countries require is stabilized gold, because their currencies are tied to fixed weights of gold, which with increased or decreased purchasing power throws out of adjustment commodities and property which are measured by it, creating confusion in the financial and business world, resulting in hesitant business with unemployment consequences.

Thus you will observe a conflicting fundamental difference between the countries, namely, the United States and gold-bloc countries, whose currencies are tied to a fixed weight of gold, which, of course, are interested, or should be interested, in stabilized gold so their currencies may not vary in purchasing power, and those countries headed by England which have set up a paper unit of value which is controlled by gold which makes for unstable gold. So the issue between the aforesaid groups of countries is stabilized gold against unstabilized gold, and if you are to stabilize gold, then there immediately arises another issue—at what point in purchasing power should gold be stabilized? Whether we shall have high gold or low gold? The interest of the United States is low gold, gold of the buying power of 1926; gold of the debt-paying power of 1926. We have, or have to have, that if we are going to have high wages and high prices for farm commodities, and these we have to have if we are going to sustain our former wealth structure, keep our business solvent, and pay our governmental debts and taxes which were geared to the 1926 level of prices. England and the other European countries, on the other hand, are interested in high gold. This statement should perhaps be qualified. The banking, manufacturing, and gold-mining interests are interested in high gold. England and her colonies produce about 80 percent of all the gold in the world, and naturally want high prices for it. The manufacturing interests want low manufacturing costs, which include low labor and raw-material costs, so they can penetrate the markets of the world, and banking follows in its interest, commerce. These interests seem to predominate over labor and producers of prime or unmanufactured commodities whose interest is, or should be, low gold. So the predominant groups in those countries seem to want high gold with the 1913 price level.

Let me state again the issues involved in the world depression and consequent of unemployment:

First. Stabilized against unstabilized gold.

Second. High gold against low gold.

What most people do not seem to see is that our currency system is related to every other currency system in the world and every other currency system is related to our own currency system. What the world needs and is crying for is a denominator common to all currencies, and that denominator must be consistent with changed conditions in the world as a result of the World War. It should be so geared to cure the tremendous debt disease which hangs heavily upon the productive effort of the world. Many people do not think in terms of gold and shrink from it as something incomprehensible, and maybe unimportant. They think in terms of national currencies and fail to recognize its supreme importance as the world's yardstick of measurement. They are willing to leave it to others to manipulate its value and pursue its tyrannical course.

No tyrant in all the world has ever caused the tragedy and suffering of unstabilized and high gold. This unregulated tyrant has wrecked the hopes of millions of mankind and caused more human suffering than the World War, yet for the want of a better device I would restore it as a common denominator for currencies and strip it of its power to destroy the business and commerce of the world. My suggestion would be: (1) Establish in the United States a free market for gold and silver; (2) to stabilize gold in the interest of the United States. Set up a definite monetary use for silver taken in under the Silver Act of 1934 by issuing against same storage receipts or certificates of deposit exactly the equivalent of old gold certificates, make said certificates legal tender, and redeem in silver at its world-accepted value.

Mr. CROSSER of Ohio and Mr. REILLY rose.

The CHAIRMAN. There are 5 minutes remaining. The Chair will ask unanimous consent of the Committee that he be permitted to divide the remaining 5 minutes between the gentleman from Ohio and the gentleman from Wisconsin.

Mr. CROSSER of Ohio. Mr. Chairman, it is, of course, axiomatic that a stable standard of value is necessary in any sound monetary system. It is also elementary that any system in which money has intrinsic value is unsound, for it means that the value of all commodities is measured in terms of the commodity of which such money consists.

The true nature of money is that it is a certificate by public authority that the person to whom such money may

have been issued has given commodities or service amounting in value to the number of units of value indicated by said certificate, commonly called money.

The average value of all commodities, in which the public deals, should be the basis on which the unit of value should be established. If that principle were constantly observed neither deflation nor inflation would be possible.

The Goldsborough amendment would do much to establish a stable standard of value and therefore a scientific monetary system, and I favor it for that reason and shall support it.

The Goldsborough amendment requires that stability of the value of money shall be maintained and stipulates means for accomplishing this purpose. This is the stipulation of a policy and it is the proper function and constitutional duty of Congress to determine such policy. It is entirely proper and desirable to delegate to the designated administrative agency authority to carry into execution such policy and to determine the details for doing so.

I should like to see the Goldsborough amendment go further, but it is a long step in the right direction.

I, therefore, earnestly urge the Members of the House to support and vote for the Goldsborough amendment. It will, in my opinion, mean much for the American people. The benefits which will certainly result from the establishment of the principle involved in the Goldsborough amendment will lead ultimately to the adoption of a truly scientific system of money. [Applause.]

Mr. SISSON. Mr. Chairman, I ask unanimous consent that the time for debate be extended 20 minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. BUCKLER of Minnesota. Mr. Chairman, I rise in favor of the amendment. [Applause.] It gives me quite a lot of pleasure to sit here this afternoon and hear you attorneys debate this money question. Since I have been here I find about 4 farmers in this Congress and 1 banker. That leaves 430 lawyers. Go back into the history of this country to the first President of the Nation and you will find that he was a farmer, and the people who wrote the Constitution and signed the Declaration of Independence were mostly farmers.

A custom has grown up in this country in late years that when a farmer and his wife had a boy who they thought was a little smarter than the rest of them, the first thing they did was spoil him by making an attorney out of him. [Laughter and applause.] They have been making the laws here for a generation or two, and after making the laws about the first thing they have to do in order to decide what the law is, they call in about 12 farmers to tell them what the law means. [Applause and laughter.]

Now, I say it is about time to listen to the farmers when you are making some of these laws. There are only 4 of us farmers in this Congress, but there are about 40,000,000 farmers out in the country that want this Goldsborough amendment. Yes; 40,000,000 farm folks want this amendment. The Farm Bureau, the Farmers' Union, the Grange, and other farm organizations are supporting this amendment. The so-called "experts" who so often appear before the Committee on Banking and Currency have engineered this present money system and the banking laws for years. It is about time you listened to somebody else, because they have got us into all kinds of trouble under this banking system.

The other day I attempted to tell you about the troubles the farmers are in. They are still in this trouble.

This bill does not go far enough. The Government should take over the Federal Reserve Banking System and control the money and credit of this Nation. However, this Goldsborough amendment will give us some relief, because it will establish prices as on an average between 1921 and 1929. Remember back in 1893 to 1896, the big banking crowd caused a panic by deflating the currency and credit and cleaned up farmers of this Nation. Generally, since that time the farmers were getting along fairly well as money and credit seemed to be more or less stabilized up until 1920. Since then even more power and control has come into the hands of this bunch of racketeers and whenever the farmers get a little foothold, this same crowd comes along and kicks them off, just as they have been doing lately. So you should get away from that kind of a money and banking system. You cannot start this country going again as long as people are afraid that this same gang of money sharks will knock down the prices and deflate values. Who wants to buy any property and put in 15 or 20 years building up a little home or a farm, then have this same crowd come along and deflate the currency and make this property worth about 50 cents on the dollar and perhaps take your property away from you. [Applause.] This Goldsborough amendment would stabilize the value of the dollar and would stabilize prices so if you built a home you would be able to keep it without losing it every 15 to 20 years as now happens under this present banking system.

I hope you Congressmen will support this amendment. While I appreciate that not many of you are farmers, I know that many of you were born and raised on the farm, and if enough of you have not forgotten the conditions under which you were reared, this amendment will pass. [Applause.]

The CHAIRMAN. The time of the gentleman from Minnesota [Mr. BUCKLER] has expired.

Mr. BROWN of Michigan. Mr. Chairman, I think the fundamental difference between the position taken by the gentleman from Maryland [Mr. GOLDSBOROUGH], and the position taken by a majority of the Committee on Banking and Currency can be expressed in a very few words. The main purpose of the amendment offered by the gentleman from Maryland is to enable people who are in debt and who went in debt in 1926 and previous years to pay their debts with the same kind of dollar that they borrowed. I think that is the real purpose back of the Goldsborough amendment. I think the idea of a majority of the committee—and I number myself upon this particular issue with them—is that we ought to attempt to stabilize the medium of exchange; that we should stabilize our money.

Mr. RANKIN. Will the gentleman yield?

Mr. BROWN of Michigan. I am sorry, but I do not have time.

We have endeavored to meet this debt situation by reducing interest, and we have reduced interest to a considerable degree, to the farmer, to the home owner, and to the industrialist. It has succeeded. At the present time money is one of the cheapest commodities in the United States. If you will recall 3 or 4 days or perhaps a week ago, in New York the banks refused to pay further interest on depositors balances. I realize that a great many demands for money are not met at the present time, but it is usually because the propositions placed before the people who have the money are too uncertain. What we want to do at the present time is to try to assure the business public so that they will go ahead.

With that distinction in mind, that difference between the administration's measure and the Goldsborough measure, let us analyze them. The Goldsborough amendment says that it shall be the policy of the United States to restore the price level—and it means the price level of 1926. In the first place, I do not think it can be done, because the only lever that can be used, that I know anything about or that we ever heard anything about in the Committee on Banking and Currency, is to cheapen money. Money is cheap at the present time as far as interest rates are concerned.

I believe, as the gentleman from Maryland [Mr. GOLDSBOROUGH] has often said himself, that you cannot push a string. We can pull it. We can restrict. We can raise the bank reserve requirements and restrict money. That should have been done in 1929, but was not done. However, it is most difficult to encourage people. I say the only way you can encourage them is by using the power which is given in the amendment which the committee made to the banking bill. That is to stabilize the medium of exchange.

I want to read that language to you because I think it has largely been lost sight of in the speeches which have been made:

It shall be the duty of the Federal Reserve Board to exercise its powers in such manner as to promote conditions conducive to business stability and to eliminate unstabilizing fluctuations in prices.

We cannot go back to 1926. We must look to the future.

The way to encourage business is to assure the country that through the powers of the Federal Reserve Board we will now have a stable medium of exchange. When we have convinced the public of this, business will go ahead with greater confidence.

I think I have made clear this issue raised by the amendment.

[Here the gavel fell.]

Mr. RANKIN. Mr. Chairman, the doctrine just preached by the gentleman from Michigan, in my opinion, would sound the death knell of hope for the farmers and the home owners of America, who have been struggling for all these years against this man-made depression. I said on the floor of the House in 1929 that we were in a money panic and that we never would get out of it until we expanded the currency to raise commodity price levels to what they were in 1926. We have gone on for 6 years and have spent billions of dollars, but we are still in that depression; and I make the prediction now that we will not get out of it until we raise commodity price levels to what they were in 1926 and then stabilize them. [Applause.]

The Goldsborough amendment may not go far enough, but it certainly is going in the right direction.

The gentleman from Michigan talks about stabilizing prices at their present level and turning our financial system over to the Federal Reserve Board.

Mr. BROWN of Michigan. It is not the same Board.

Mr. RANKIN. Oh, I know. It is like the Irishman who had a horsefly after him, but thought it was a bumblebee. He said: "You have changed your suit, but I know your voice." [Laughter.] It is the same system. After all, you are really turning our financial system back into the hands of private bankers to expand or contract our currency at will. It is dangerous in the extreme.

Back in 1914 they began to expand the currency through the Federal Reserve banks, and then contracted it with disastrous results.

Talk about inflation! Why, they expanded the currency more than $1,000,000,000 from 1914 to 1920. Commodity prices went up, and while they were at that high level we contracted our debts, floated bonds, and levied taxes. You are now attempting to wring from the American people money to meet those obligations by stabilizing prices at the present level, a much lower level. The great financial interests of the country contracted the currency down to what it was in 1914, and since that time they have been demanding of the American people the impossible thing of paying their debts on these depressed prices, paying the debts incurred in a time of inflation which the financial interests brought about themselves.

My honest opinion is that there is no politics among big bankers. You talk about a big Democratic banker or a big Republican banker, but both have the same object in view. [Applause.] If you turn this matter over to them, it is my opinion you will have a repetition of what you had heretofore; and if you stabilize farm prices and property prices at their present levels, we will never get out of this panic. There is nothing that would do more harm to the people of this country, the home owners, the property owners, the farmers, the merchants, the small-business men—nothing that would so retard our recovery as to stabilize prices at their present levels.

The great financiers knew what was taking place before the panic. In 1926, 1927, 1928, and 1929 the Federal Reserve Board was virtually financing the jamboree on the stock market. The little fellow knew nothing about it until the crash came. Those who profited invested their profits in tax-exempt securities, in Government bonds, and are now demanding that we pay them on the present price levels. It simply cannot be done. Now they come in and ask us to stabilize prices at their present level by the one method that can be controlled, and that is through an expansion or contraction of the circulating medium.

Mr. HANCOCK of North Carolina. Mr. Chairman, will the gentleman yield?

Mr. RANKIN. I yield.

Mr. HANCOCK of North Carolina. How does the gentleman reach the conclusion that the bill undertakes to stabilize prices at their present levels? It is contrary to the language and entirely foreign to the purpose.

Mr. RANKIN. Because the gentleman to the left of the gentleman from North Carolina said so in his speech. That is what I am going by.

Mr. STEAGALL. No; I did not say that.

Mr. RANKIN. The gentleman from Michigan said "stabilize prices."

Mr. STEAGALL. But not at their present levels.

Mr. RANKIN. The gentleman from Michigan said we could not get back to the 1926 levels; and I say that unless we do, we will never get out of the depression.

I hope the Goldsborough amendment will be adopted. [Applause.]

[Here the gavel fell.]

Mr. SISSON. Mr. Chairman, I have a good deal of diffidence in discussing this particular provision of the banking bill of 1935, where the issue is between the present delegation of what I believe to be administrative powers, and the delegation of legislative powers. Probably I should not rise at this time were it not for the fact that as a result of remarks I made in general debate upon this bill, a few days ago, some newspaper, although I did not suppose they would dignify my opinion to that extent, represented me as saying I favored the Goldsborough amendment, and I have been asked about it a number of times this morning.

I am opposed to the Goldsborough amendment, although I have the greatest respect for the ability of its author, and the greatest admiration for his very profound knowledge of money, and the great amount of time he has spent in research on this subject.

I am afraid to tie the hands of the Federal Reserve Board in its control over the administrative functions which the Congress is delegating to them. There is no use talking about this being a government of law and not a government of men, for when we delegate any duty, any function, its administration must be intrusted to men; and men may administer it efficiently or men may administer it inefficiently. There is no use quibbling about that, we have got to face these problems as realities. I am afraid at this time to tie the hands of the Federal Reserve Board, because I do not believe anybody is wise enough to know at what level we should stabilize prices, or to what commodity prices we should tie the dollar.

I am afraid it would render our monetary control impotent and helpless in dealing with foreign trade and in competing with England and Japan; therefore I am opposed to the amendment at this time.

[Here the gavel fell.]

The CHAIRMAN. All time has expired. The question is on the amendment offered by the gentleman from Maryland [Mr. GOLDSBOROUGH].

The question was taken; and on a division (demanded by Mr. STEAGALL and Mr. MCFARLANE) there were—ayes 101, noes 114.

Mr. GOLDSBOROUGH. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed Mr. STEAGALL and Mr. GOLDSBOROUGH to act as tellers.

The Committee again divided; and the tellers reported there were—ayes 122, noes 128.

So the amendment was rejected.

Mr. TABER. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. TABER: On page 51, line 1, strike out paragraph (b), beginning in line 1, and all through line 10 on that page.

Mr. TABER. Mr. Chairman, I propose by this amendment to strike out the same language that the gentleman from Maryland [Mr. GOLDSBOROUGH] proposed to strike out; however, in its place I propose to insert nothing because nothing belongs at that place in the bill.

According to the statements of the gentleman from Maryland [Mr. GOLDSBOROUGH], and many others who have discussed this bill and the amendment, this particular language is unconstitutional. Frankly, I agree with those who have spoken along the line that this particular language is unconstitutional. It is a delegation of authority to the Federal Reserve Board to do what it pleases with a certain proposition. It is a delegation of authority that is bound to get us into trouble. Many of those who have spoken here today agree that a delegation of authority is bad, and that it is time that the Members of this House stopped delegating authority. [Applause.]

That view is shared by many of those on the majority side of the aisle. Mr. Chairman, let us have the courage of our convictions. Let us not be led astray by those who have framed up legislation and brought it in here which means something in the nature of a surrender of our powers, if we had the right to surrender them. Let us vote to strike this language from the bill. No two men can agree as to the interpretation of this language. It makes a mess of the whole legislation. If you have not read it, bear with me just a moment while I call attention to its essential points:

It shall be the duty of the Federal Reserve Board to exercise such powers as it possesses in such manner as to promote conditions conducive to business stability.

And so forth.

Mr. Chairman, that is just a mess. Can we not stop at this time passing unconstitutional legislation which is just getting us into trouble, legislation which is destroying American liberty and preventing business recovery? We do not want a lot of legislation passed here that is going to unstabilize business and unstabilize banking more than already has happened.

Mr. Chairman, one of the troubles with the banking situation today is lack of confidence. This will create more of that situation. What we are up against is that every year there is being drawn out of the vitals of business, 10, 12, or 14 percent of the bank loans that are outstanding of a commercial character. If we pass more legislation to create more unstability we will create a greater deflation and greater distress. That is the trouble. Oh, that the Members here would take their responsibility seriously and stop passing legislation to prevent business recovery. Let us strike out this language and start along the way of perfecting this bill.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York.

The question was taken; and on a division (demanded by Mr. TABER) there were—ayes 33, noes 55.

Mr. TABER. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed Mr. STEAGALL and Mr. TABER to act as tellers.

The Committee again divided; and the tellers reported there were—ayes 68, noes 85.

So the amendment was rejected.

The Clerk read as follows:

SEC. 205. Effective 90 days after the enactment of this act, section 12A of the Federal Reserve Act, as amended, is amended to read as follows:

"SEC. 12A. (a) There is hereby created an Open Market Advisory Committee (hereinafter referred to as the 'committee'), which shall consist of five representatives of the Federal Reserve banks. The members of the committee and an alternate to serve in the absence of each of them shall be elected annually by the governors of the 12 Federal Reserve banks in accordance with procedure prescribed by regulations of the Federal Reserve Board. Vacancies shall be filled in the same manner. The terms of the members of the committee shall expire at the end of each calendar year, and a person elected to fill a vacancy shall serve for the remainder of the term of his predecessor. The committee shall elect its own chairman. Meetings of the committee shall be held from time to time upon the call of the chairman or upon the call of the Governor of the Federal Reserve Board. Meetings shall be called whenever requested by a majority of members of the committee or by a majority of the members of the Federal Reserve Board.

"(b) The committee shall consult and advise with, and make recommendations to, the Federal Reserve Board from time to time with regard to the open-market policy of the Federal Reserve System. The committee shall also aid in the execution of open-market policies adopted from time to time by the Federal Reserve Board and shall perform such other duties relating thereto as the Federal Reserve Board may prescribe. The Federal Reserve Board shall consult the committee before making any changes on its own initiative in the open-market policy, in the rates of interest or discount to be charged by the Federal Reserve banks, or in the reserve balances required to be maintained by member banks.

"(c) After consulting with and considering the recommendations of the committee, the Federal Reserve Board, from time to time, shall prescribe the open-market policy of the Federal Reserve System. Each Federal Reserve bank shall purchase or sell obligations of the United States, bankers' acceptances, bills of exchange, and other obligations of the kinds and maturities made eligible for purchase under the provisions of section 14 of this act to such extent and in such manner as may be required by the Federal Reserve Board in order to effectuate the open-market policies adopted by the Board from time to time under the provisions of this section and each Federal Reserve bank shall cooperate fully, in every way, in making such policies effective.

"(d) All transactions of Federal Reserve banks under authority of section 14 of this act shall be subject to such regulations, limitations, and restrictions as the Federal Reserve Board may prescribe."

Mr. HOLLISTER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HOLLISTER: Page 51, line 11, strike out all of section 205.

Mr. HOLLISTER. Mr. Chairman, I ask unanimous consent to proceed for 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. HOLLISTER. Mr. Chairman, this motion is to strike out all of section 205 and, in my opinion, raises the most important issue that could be presented to the committee this afternoon. It involves the compulsory provision for the participation by Federal Reserve banks in open-market operations.

At the present time there is no way in which Federal Reserve banks may be forced to use their resources in the purchase of Government obligations or any other kind of obligations, and there is no way in which they may be forced to sell such obligations. At the present time it is provided that when an advisory committee makes certain recommendations as to open-market operations, they shall be passed on to the Federal Reserve Board which may or may not approve them; but if approved, the final result is passed on to the various Federal Reserve banks which may then decide whether or not they care to participate.

Now, open-market operations do not necessarily refer to Government bonds. They may also refer to the buying and selling of certain other kinds of obligations, but we generally think of them as dealing with the Government-bond market.

If this bill becomes effective, it will be possible for the Federal Reserve Board, acting by a bare majority of a quorum or by three members, to compel every Federal Reserve bank in the country—all the 12 regional banks—to use their resources in buying Government bonds, and since New York is the place where bonds are customarily bought, these operations will be through the New York Federal Reserve Bank. Thus the New York Federal Reserve Bank will drain the credit resources of the country to New York and they will there be used to acquire Government bonds, or in the event the operation is the other way, they will sell them for the account of the various banks.

Mr. REILLY. Mr. Chairman, will the gentleman yield?

Mr. HOLLISTER. I yield.

Mr. REILLY. Inasmuch as the bill already provides for open-market operations by the Federal Reserve Board, does not the gentleman think it advisable that they should have a chance to confer with the Federal Reserve banks as to what they should do?

Mr. HOLLISTER. I do not understand the gentleman at all.

Mr. REILLY. The bill as now written provides for open-market operations.

Mr. HOLLISTER. Compulsory open-market operations.

Mr. REILLY. By the Federal Reserve Board?

Mr. HOLLISTER. Yes.

Mr. REILLY. Does not the gentleman think it advisable that before they exercise such tremendous powers as the gentleman thinks they have, they should have an opportunity to confer with the representatives of the Federal Reserve banks as to the wisdom of such action?

Mr. HOLLISTER. I think it is very desirable.

Mr. REILLY. Then why does the gentleman want to strike that out of the bill?

Mr. HOLLISTER. The gentleman has completely misunderstood my motion. My motion is to strike out the section entirely which not only strikes out the provisions for the advisory committee but also strikes out the compulsory provisions which require Federal Reserve banks to buy such bonds when they may not want to do so.

Mr. REILLY. Under the law as now written, the Federal Reserve Board can have open-market operations just as provided by the bill.

Mr. HOLLISTER. The gentleman completely misunderstands the law at the present time.

Mr. REILLY. I beg the gentleman's pardon; they have used open-market operations.

Mr. HOLLISTER. If the gentleman will consult the law, he will find that at the present time the only way a Federal Reserve bank enters into open-market operations is at its own desire and its own willingness.

Mr. REILLY. That is true.

Mr. HOLLISTER. And there is no possible way by which a Federal Reserve bank today may be compelled, against its will, to enter into open-market operations.

Mr. FIESINGER rose.

Mr. HOLLISTER. I must decline to yield further, because there is one more point I want to make. If I then have additional time, I shall be pleased to yield to the gentleman.

I want to point out the sinister shadow that lurks behind this authority that is granted the Federal Reserve Board. I want to bring out as clearly as I can to the members of the Committee what it means when Government bonds may be forced on unwilling buyers.

The whole theory of the sale of Government bonds to the investors of the country is that of a free market, the same kind of free market in which private obligations of corporations are sold to investors. The maturity, the taxable situation, and the rate of interest all enter into whether or not a buyer is willing to acquire bonds from the Government. When the time ever comes that the Government is able to force its bonds on unwilling buyers, there is no difference between that situation and the issuing of fiat money. Fiat money, as you all know, is money which has absolutely nothing behind it except a promise, and fiat money is, in a way, a forced loan when it is forced on people who do not want to take it. That is the trouble with greenbacks; it is the trouble with printing-press money which we have discussed so much, because it is forced down the throats of those who do not want to take it. When this happens the value of such money goes steadily down and the cost of living goes proportionately up. I maintain that when the Government is in a position to compel the Federal Reserve banks of the country, against their will, against the wisdom of sound bankers, against the wishes of those who realize what it means—when it is in a position to compel these banks to take such bonds we might just as well face the facts and finance these continuing deficits by the issuance of fiat money, because both are a forced loan.

Mr. Chairman, the one thing which free people have fought since the beginning of time is the forcing of loans down their throats by the government, and if we give this power to the Federal Reserve Board we are giving the power to commandeer the savings of the people for a loan by the Government, which, in ordinary times, they would not be willing to take.

Now, the worst of it is, when we issue printing-press money, fiat money, greenbacks, or whatever you call it, the people know what we are doing—they know that the printing presses are at work. When we are working through machinery of this kind, telling the Federal banks to take bonds which they do not want to take, we are running by one of the great danger signals of inflation, because the people at large do not realize what is happening.

I say that if there is one amendment that should be made to this bill, it is the taking out of this section, taking out the provision which permits the Federal Board to compel Federal banks to take Federal obligations. [Applause.]

Mr. STEAGALL. Mr. Chairman, the law at present provides that the open-market operations of the Federal Reserve System are directed first by an open-markets committee representing 12 Reserve banks. They are the governors of the 12 Federal Reserve banks, and they initiate the policies.

Any plan adopted by the open-market committee must have the approval of the Federal Reserve Board. But there is no power, either in the open-market committee or in the Federal Reserve Board, to require any member bank to carry out any policy that may be inaugurated or promulgated.

The purpose of the provision in the pending bill is to fix this responsibility definitely and to place it in the hands of the Federal Reserve Board, who are the servants of the people of the United States.

Under existing law there is no power to compel any bank to follow any policy, even though it may be approved by 11 Federal Reserve banks and the Federal Reserve Board.

As the law is now, it is within the power of 1 bank to nullify any policy adopted by the other 11 banks and the Federal Reserve Board.

It is a question of whether we shall have policies that affect the welfare of the Nation as a whole determined by the Federal Reserve Board, representing the people of the United States, or a confused authority resting partly in the hands of the bankers and partly in the Federal Reserve Board, without the power to put it in execution, and leave it in the power of 1 Federal Reserve bank to nullify the action of the Federal Reserve Board and 11 other Federal Reserve banks.

Mr. WHITE. Will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. WHITE. There is some confusion as to the powers of the open-market committee?

Mr. STEAGALL. The Federal Reserve Board controls discount rates. Under the pending bill the Board would be given power to control the purchase of securities in the open market on the lowering or raising of reserve requirements.

Mr. FIESINGER. And in the set-up of this machinery it puts no injunction on the buying of specific securities?

Mr. STEAGALL. Absolutely not.

Mr. FIESINGER. And they can buy and sell as much as they see fit?

Mr. STEAGALL. Yes; so long as Federal Reserve notes are protected by 40 percent of gold certificates.

The CHAIRMAN. The time of the gentleman from Alabama has expired.

Mr. REED of New York. Mr. Chairman, I will preface these remarks by quoting George Washington on the subject of public credit. He said, in part:

> As a very important source of strength and security, cherish public credit. One method of preserving it is to use it as sparingly as possible. * * *

The Roosevelt administration disregarding this wise admonition has done, and is now doing, everything within its power to appropriate and to utilize the savings of those who have been thrifty and frugal to finance the colossal spending program of the Government.

Under title II, section 205, of the banking bill before us, the administration is given full power to compel the banks to absorb Government printing-press bonds to meet the ever-mounting deficit of the new deal's spending program. There is the further power under the provisions of the bill to enable the administration to coerce the banks to issue notes to the full amount of whatever debts the new deal may create.

Before I venture to speak in defense of the rights of some 25,000,000 persons, who have been the backbone of this Nation in every crisis, I shall cite an authority to justify a Representative in Congress in offering constructive criticism with reference to the pending legislation. Woodrow Wilson in his work on constitutional government has this to say:

> It is plain that parliaments, that representative bodies free to criticize not only but acting with independence, uttering the voice of those who are governed and enjoying such authority as no king or president or officer of any kind may gainsay, constitute an indispensable part of the institutional make-up of a constitutional government.

A voice in behalf of the industrious, temperate, thrifty citizens who have sacrificed, saved, and invested their money as a protection against sickness and old age is seldom raised on the floor of this House. It was to this class of citizens to whom the Government appealed to buy liberty bonds to finance the World War.

The Government urged these good, substantial, enterprising citizens, millions of whom were wage earners and tillers of the soil, to buy bonds until it hurt. They did so. Under the new deal the resources of this group have been raided and the Government's promises to them repudiated.

The revolutionary, socialistic regime now formulating and directing the fiscal affairs of the United States Government asks for power under title II of this bill to set up a financial guillotine to decapitate the middle-class capitalists. This proscribed class comprises the thrifty and frugal men and women who have toiled and sacrificed and saved that they might invest in United States bonds, in life insurance, in small annuities, in farm mortgages, with the hope of a return on their investments to partially protect them from want during their old age.

Now, it is proposed to raid the resources of these thrifty individuals by a resort to printing-press bonds, a scheme more subtle and less alarming but just as devastating in its results as to attempt to achieve the same result by means of printing-press money.

It is a piece of trickery and fraud upon the public that is reprehensible and indefensible on the part of a responsible Government.

Let me be more specific as to what this legislation portends. The purpose under this bill is to create a politically controlled, manipulated, and dominated central bank, to provide for unlimited credit inflation. Is there necessity for it? Every member of this House knows that credit has been expanding and is now expanding more rapidly than business. The Federal Reserve reports tell the story. Bank deposits are now increasing at an alarming rate. I say alarming advisedly, for every Member here knows that this increase comes from the Budget deficit financing of this administration. We all know that the larger our Government deficit, the greater will be the possible credit expansion.

The speculative dikes under this ever-increasing pressure must eventually break; then the deluge! When this happens, as it surely will, the purchasing value of the dollar will begin to diminish and it will continue to do so until it strips the very hide off the wage earner, the depositor, the bondholder, the annuitant, the pensioner, those with a fixed salary.

Why ignore the mistakes of the past, both in this country and in foreign countries, where, time and again, inflation has produced poverty among the toiling masses? There are 25,000,000 forgotten men and women who are to be plundered under the provisions of this bill unless there is an immediate return to legislative sanity. Of this number, there are 13,000,000 frugal and thrifty people who have earned and saved and deposited in mutual-savings banks approximately $10,000,000,000.

Two and one-third millions of men and women have earned and saved enough to enable them to deposit in our postal savings banks $1,200,000,000.

Ten million wage earners have become members of building-and-loan associations.

The purchasing power of the accumulated savings of this group of middle class citizens will be sacrificed under the inflationary powers which it is proposed to give to a crew of political spenders. The citizens who have labored long hours to earn and save enough to pay for a home, educate their children, support the social and civic activities in the community in which they live do not count with the socialistic "new dealers." This class of dependable citizens has not been found useful to the political-minded members of this administration, because they are a type that refuses to be herded at the polls and voted in mass.

The American people, especially the energetic, thrifty, and law abiding are being ground down and crushed between two powerful forces, those who are planning a system of State socialism, and those who plan to exploit the taxpayers for political plunder and control. An eminent psychologist who has studied the revolutionary movements of the Socialists throughout the world has classified the men and women who invariably assume active leadership in the destruction of constitutional government. He enumerates them as—

> Social failures, misunderstood geniuses, lawyers without clients, writers without readers, doctors without patients, professors ill-paid, graduates without employment, clerks whose employers disdain them for their insufficiency, puffed-up university instructors—these are the natural adepts of socialism.

It is to individuals of this character to whom the administration has surrendered some of the more important functions of government. Step by step, under the leadership of this heterodox conglomerate group the credit of the United States has steadily declined. I say heterodox because heretofore the opinions of such men as Washington, Jefferson, and Lincoln, and many other great statesmen of the past, have not been without weight.

Do the provisions of this inflationary measure, the provisions of which authorize a program of unlimited spending, harmonize with the advice given by Washington in his farewell address? The new-deal plunderers will not listen, but is it not time for the representatives of the people to give heed? Here is what Washington said:

> As a very important source of strength and security, cherish public credit. One method of preserving it is to use it as sparingly as possible, avoiding occasions of expense by cultivating peace, by remembering, also, that timely disbursements, to prepare for danger, frequently prevent much greater disbursements to repel it; avoiding likewise the accumulation of debt, not only by shunning occasions of expense, but by vigorous exertions, in time of peace, to discharge the debts which unavoidable wars may have occasioned, not ungenerously throwing upon posterity the burden which we ourselves ought to bear. The execution of these maxims belongs to your representatives, but it is necessary that public opinion should cooperate.

[Applause.]

Mr. WOLCOTT. Mr. Chairman, it was this particular section of the bill that I had reference to the other day when I called attention to the fact that the power is given the Federal Reserve Board to force the Federal Reserve banks to take unlimited issues of Government obligations against their will. That might not seem on the face of it to be too serious a situation, except that later on we provide that this same Board determines the monetary policy of the Government. Formerly there were eight different kinds of money. There were gold coin and gold certificates and silver coin and silver certificates and United States bank notes, known as "greenbacks", Federal Reserve bank notes and Federal Reserve notes and national bank notes, but under present policies we are going to have only three different kinds of currency. We are going to have subsidiary coin, the kind that you carry in your pocket, and we are going to have silver certificates, and we are going to have Federal Reserve notes. The Treasury the other day deflated the currency by $600,000,000 by calling in the consols and the Panamas. So it is going to be necessary if they bring the total amount of money outstanding up to $5,600,000,000, where it was when they started, to issue $600,000,000 of Federal Reserve notes. That brings us to the question which has been raised so often on the floor—whether it is advisable to issue currency of the United States by private banks with interest-bearing Government bonds securing those issues. I cannot see for the life of me where anybody gets very much satisfaction in this bill which centralizes control under

a private institution and turns over to that private institution the prerogatives and authority of Congress under the Constitution to coin money and regulate the value of it. The thing that we have done in that direction apparently, if this bill is passed, is to substitute about $600,000,000 of 2-percent consols and Panamas for 2½- to 3⅜-percent interest-bearing bonds, which brings me to the thing I wanted to call attention to this afternoon. We not only turn the currency-creating power over to a private institution, but we also make that private institution the fiscal agent of the United States, to sell its bonds, so that the currency and the national debt are brought into such close relationship that as the national debt goes up or comes down, there will be a like fluctuation in the value of our money. That is not conducive to stability, that is not conducive to confidence.

I do not like to get into personalities, but I call attention to a statement made before the committee by the Governor of the Federal Reserve Board with respect to the national debt. He said he was not afraid of a forty-billion debt. In our committee 2 years ago a Senator appearing before the committee was asked the question, "How far can we go in issuing bonds before the credit of the United States will be seriously affected." He said he could not speak for himself, but that the financial advisers of his committee in the Senate had told him that we could go up to about $35,000,000,000.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. WOLCOTT. Mr. Chairman, I ask unanimous consent to proceed for 3 minutes more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. WOLCOTT. Two years ago we could go up to $35,000,000,000 without seriously impairing the credit of the United States. The whole situation has changed. As we approach $35,000,000,0000 everybody considers that his property is worth ever so much more than it was before, just as the church property in France went up 500,000,000 assignats over night, preceeding the inflation in France, and so the wealth of the Nation has gone up during this last year to the extent that the Governor of the Federal Reserve Board says that $40,000,000,000 will not seriously affect our credit.

Mr. Chairman, those are the successive steps which have always been taken by every country which has experienced pernicious inflation, and that is where we are headed. This bill will bring the money-creating power into close affiliation with the national debt under a head which seriously believes that $40,000,000,000 of national obligations is not a serious question. In view of the fact that we may have a national debt of $40,000,000,000 and that there is another $16,000,000,000 of internal municipal debt, which makes a total debt of about $55,000,000,000, is it not foolish to assume that the credit of the United States might not be seriously affected? Then, if in the judgment of this Board it is found necessary to adopt another suggestion whereby, behind all the deposits in our banks which will aggregate possibly forty billion, there should be 100 percent of reserves either in Government bonds or currency, we will print a potential twenty billions of currency. These billions must be in the form of Federal Reserve notes and will be secured by the interest-bearing bonds of the Government.

I think, before we vote for this bill and give this power to any politicalized body, we should recognize just where we are going. If you know where you are going, then of course the responsibility is yours, because on the Republican side, we believe in sound currency and in sound credit for the Government, and we, frankly and politically, just expect you to go along as you always have, tinkering with the currency, destroying credit, and destroying the only thing upon which we can build prosperity. [Applause.]

The CHAIRMAN. The time of the gentleman from Michigan [Mr. WOLCOTT] has expired.

Mr. GOLDSBOROUGH. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, when the committee goes back into the House, I think the gentleman from Ohio [Mr. HOLLISTER] will offer a motion to recommit the bill, and I presume he will move the previous question on his motion. If the previous question carries, the only thing we can vote upon will be the motion to recommit offered by Mr. HOLLISTER. If the previous question does not carry, I will offer an amendment to the motion to recommit, which will read as follows:

Amendment to the motion to recommit offered by Mr. HOLLISTER offered by Mr. GOLDSBOROUGH: Strike out all the language of the motion to recommit and insert the following:

On page 51, strike out everything from lines 4 to 10, inclusive, and in lieu thereof insert the following:

"(o) It is hereby declared to be the policy of the United States that the average purchasing power of the dollar as ascertained by the Department of Labor in the wholesale commodity markets for the period covering the years 1921 to 1929, inclusive, shall be promptly restored; and that after such restoration shall have been achieved, the purchasing power of the dollar shall be maintained substantially stable in relation to a suitable index of basic commodity prices which the Federal Reserve Board shall cause to be compiled and published in complete detail at weekly intervals.

"The Federal Reserve Board, the Federal Reserve banks, and the Secretary of the Treasury are hereby charged with the duty of making effective this policy. To this end it shall be the duty of the Secretary of the Treasury to establish or cause to be established in the United States a free and open market in which gold and silver may be bought and sold for use, investment, or trade, and to determine, without limitations, and with the advice of the Federal Reserve Board, the amounts and the prices at which the Treasury shall buy and sell gold and silver; and report the bill back immediately as so amended."

This is the amendment I offered this afternoon and which failed to carry by a vote of 128 to 122.

Mr. GIFFORD. Mr. Chairman, I rise in opposition to the pro forma amendment.

I cannot add much to what the gentleman from Ohio [Mr. HOLLISTER] has said with reference to striking out the section relating to open-market operations. I would like to take the time to read what a former Member of this House, Mr. Lewis W. Douglas, has said recently, if I felt that it would at all bring us to our senses. I would like to read again what I put into the RECORD last week, when I stated that the sponsors must believe that the necessities brought about by the $4,800,000,000 appropriation require the passage of this legislation at this session.

Now, the hidden thing in all of this is the need of passing it, although the advocates of this legislation publicly say it is not necessary right now. If it is not necessary, why pass this title II and frighten the people and the banks more and more? If the necessities of the hour do demand it, I might vote with you, as I voted with you on the Goldsborough amendment a year or two ago, when the credit of our Government needed that particular type of assistance; but you deny that it is necessary to pass this at this moment. Your hidden belief, I think, is, in fact, that you think it is necessary and you are trying to put it through under the cover of title I and title III. Let us come out in the open and confess the real reason for this insistence that it be enacted at this session.

Many of the banks today do not dare acknowledge that they cannot pay dividends on the preferred stock now owned by the R. F. C. The banks are helpless in daring to suggest their opposition. They do not wish to acknowledge to their depositors that 44 percent of their assets, their money, is invested in United States securities. The Government is taking your money, just as surely and as swiftly as they took it by the gold seizure, only it is doing it by another method. In addition, there are $18,000,000,000 of community and municipal debts that are held largely by the banks. How much more can our banks absorb and still keep in sound condition? If United States bonds do go down again to 80, their very capital assets would be in grave danger.

Mr. McFARLANE. Will the gentleman yield?

Mr. GIFFORD. No. I only have a minute more. Is it any comfort to them to be told, "Bring in your bonds and we will print United States notes and give you in exchange for them; you can always get notes for your bonds under title II"? But the indebtedness of the Government still goes merrily on and up! If you pass the rest of title II, you can bring in any sound asset, together with the bonds already taken, so they can be forced to reloan to the Government. It is as though they loaned me $100,000 and took my note.

Then I wanted another $100,000. They would take my note and discount it and give me another $100,000. I want still another $100,000, and they again take my note and discount it a third or fourth time, no matter whether I have expectation of making repayment or not. That is the position you are placing your Government in. No matter how much your Government owes, bring in the bond and we will give you new money to reloan the Government and you will have to do it—as the gentleman from Ohio [Mr. HOLLISTER] pointed out—whether you like to do it or not.

I again urge you to read what Lewis W. Douglas has repeatedly stated during the past few months relative to this grave danger of Government spending. You will not believe me. Maybe you will believe him.

The CHAIRMAN. The time of the gentleman from Massachusetts [Mr. GIFFORD] has expired.

The question is on the amendment offered by the gentleman from Ohio [Mr. HOLLISTER].

The question was taken; and on a division (demanded by Mr. HOLLISTER) there were—ayes 51, noes 63.

Mr. HOLLISTER. Mr. Chairman, I ask for tellers.

Tellers were ordered; and the Chair appointed Mr. HOLLISTER and Mr. STEAGALL as tellers.

The Committee again divided; and the tellers reported there were—ayes 53, noes 83.

So the amendment was rejected.

Mr. HANCOCK of North Carolina. Mr. Chairman, I ask unanimous consent to insert in the RECORD at this point an amendment which I will propose tomorrow and ask unanimous consent to have considered.

Mr. STEAGALL. The gentleman does not ask consent to have it considered now?

Mr. HANCOCK of North Carolina. I do not.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The matter referred to follows:

Amendment by Mr. HANCOCK of North Carolina: On page 43, after the colon in line 13, insert the following new paragraph:

"(1) No State nonmember bank, other than (a) a mutual savings bank or (b) a Morris plan bank or (c) a bank located in the Territories of Hawaii or Alaska, shall become or continue an insured bank after July 1, 1938, and the insured status and insurance of the deposits of each State nonmember bank, other than (a) a mutual savings bank or (b) a Morris plan bank or (c) a bank located in the Territories of Hawaii or Alaska, shall terminate on July 1, 1938."

Amend further by striking out the figure "(1)" and insert in lieu thereof the figure "(2)."

The Clerk read as follows:

SEC. 206. Section 13 of the Federal Reserve Act, as amended, is further amended by adding at the end thereof a new paragraph reading as follows:

"Notwithstanding any other provision of law, upon the endorsement of any member bank, which shall be deemed a waiver of demand, notice and protest as to its own endorsement exclusively, and subject to such regulations as to maturities and other matters as the Federal Reserve Board may prescribe, any Federal Reserve bank may discount any commercial, agricultural, or industrial paper and may make advances to any such member bank on its promissory notes secured by any sound assets of such member bank."

Mr. STEAGALL. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WOODRUM, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill H. R. 7617, the Banking Act of 1935, had come to no resolution thereon.

## WHITE HOUSE PRESS CONFERENCES

The SPEAKER laid before the House the following communication from the President of the United States:

THE WHITE HOUSE,
*Washington, May 8, 1935.*

MY DEAR MR. SPEAKER: I wish very much that you would thank the House of Representatives, and Congressman JOHN MARTIN of Colorado in particular, for the opportunity given me in House Resolution 212 to transmit the transcript of my conference with the press wherein I spoke of the historic attitude of certain types of business organizations toward legislative proposals which have been introduced in the Congress of the United States and in many State legislatures during the last 20 years or more. I do appreciate this opportunity.

I do not believe, however, that it would be advisable for me to create the precedent of sending to the Congress for documentary use the text of remarks I make at the biweekly conferences with the newspaper representatives here in Washington.

It is my desire that these conferences should be continued on the free and open basis which I have endeavored to maintain at all times. To create the precedent of permitting questions and answers which come up at a press conference to be transcribed and printed in the CONGRESSIONAL RECORD or other official documents would mean that I no longer would feel like speaking extemporaneously and informally, as is my habit, and it would bring to me a consciousness of restraint as well as a necessity for constant preparation of my remarks. The simple truth is that I do not have the time to give to such preparation for a press conference.

I much prefer to continue the conferences in the free and informal fashion. The newspapermen, except where particular permission is given, do not directly quote the statements I make to them. They do, however, use them in substance, and the press reports generally published following the conference of Friday, May 3 last, present an accurate record of the statements I made at that time. As a matter of fact, there would be little difference between the transcript of this conference and the published reports except that one would be in the nature of a direct quotation and the other would be indirect.

Very sincerely yours,

FRANKLIN D. ROOSEVELT.

Hon. JOSEPH W. BYRNS,
*Speaker of the House of Representatives,*
*Washington, D. C.*

## HOW P. W. A. HANDLES LOANS AND GRANTS FOR MUNICIPAL PROJECTS

Mr. McFARLANE. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to include therein certain letters and excerpts.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. McFARLANE. Mr. Speaker, a careful reading and analysis of several scores of letters received from municipal officials and others interested in applications made to the P. W. A. for loans and grants to assist in establishing or extending municipal projects of various kinds reveals the following interesting and significant facts:

### I. OBSTACLES ENCOUNTERED

As shown in the complete report on the applications for grants and loans which was read into the CONGRESSIONAL RECORD of April 29, 1935, under the caption, "Power Plant Projects, the P. W. A. and the Power Trust", pages 6155–6162, very few of the municipalities applying for Federal loans and grants have received any money. However, it must be noted, and the letters received indicate that in many cases the failure of these loans and grants is due to no fault of the P. W. A., but to other matters over which it has no control. It should also be noted that the records show:

First. That in a few cases at least municipalities have received the grants and completed their plants or extensions, as, for example, an extension at Fort Morgan, Colo.; a complete plant at Columbia, Mo.; another at Pawnee, Okla.; one at Culpeper, Va.; and a plant nearing completion at Chambersburg, Pa.

Second. The record also shows that in several cases the cities' financial conditions were such that they could not give adequate security; and, again,

Third. In many cases the State laws made the proposed loans and grants impossible, and in this case much credit is due the P. W. A. for an outstanding service rendered in this connection. The Legal Department of the P. W. A. prepared proposed copies of needed enabling legislation, which was forwarded to the State officials to assist them in amending, repealing, or adding to their statutes so as to facilitate the municipal projects; and, finally, it should be noted that—

Fourth. In many cases where projects were under way the opposing private untility companies have interjected court actions of various kinds, and thus tied up the procedure. It would seem that this method of opposition on the part of the private utilities is practically universal and persistent.

II. THE GENERAL SITUATION

With the above matters in mind, it still remains a fact that, speaking generally, very few municipalities that have applied for loans and grants have received any money. At most, it would seem only five or six have been successful, and they are in comparatively small places, or comparatively unimportant extensions and improvements. Outside of allotments for municipal water works and one or two non-Federal district power systems, the municipalities have received very little assistance, so little, indeed, as to be insignificant. As shown in the CONGRESSIONAL RECORD of April 29, above referred to—

Out of several hundred applications filed, totaling more than $612,935,380, only $3,292,100—not taking into consideration $20,482,000 allotted for water power—had thus far been completed or under construction.

The details of the report submitted by the Federal Works Administration are given in the report above referred to.

Owen C. Donley, city attorney of Elk Point, S. Dak., writing on this point says:

It will be of interest to you to know that in the States of Montana, North Dakota, and South Dakota the Electric Power Board of Review, to March 19, 1935, has allotted the aggregate amount of $600,000 for non-Federal electric-power projects; that in these States the following number of applications were made for grants for non-Federal electric-power projects, namely, North Dakota, 8; Montana, 3; South Dakota, 3.

It is further significant and somewhat surprising to find that in some of the cases where the municipalities have actually received their money and built their plants there has been serious complaint and dissatisfaction, as will be shown below. In other cases where allotments have been made and the works have been completed, it is surprising to find that the money which the P. W. A. has agreed to pay and has obligated itself to do so, has up to date not been received by the municipalities, which has compelled them to advance the money in whatever ways they can from their own sources, awaiting the delayed action on the part of the P. W. A. This will be explained below.

III. SOME TYPICAL CASES

Before giving the details of the letters submitted I present below some typical instances of the way the applications for municipal loans and grants for light and power projects have been handled.

First. Seattle, Wash.: A letter from J. D. Ross, superintendent of the department of lighting of the city of Seattle, dated May 3, 1935, reads in part, as follows:

We were the first municipality in the United States to present our application to the P. W. A. for funds wherewith we might complete our Diablo plant, construct our office building in Seattle, build a transmission line and a large substation, clear the Ruby Basin on the Skagit River, and construct the Ruby Dam. In this application I offered to put to work 3,600 men for 3 years, * * * using a greater proportion of labor to material than prevails in the large bulk structures that are now being built by the Federal Government. Practically all of the material would have been manufactured within this area also, so that the recurring benefit of every dollar expended would have been more wide-spread in this area than any other dollar expenditure that I know of, here or elsewhere.

While I pursued this quest for funds very diligently for a year and a half, I was given an answer of neither "yes" nor "no", although it did come to my knowledge that the request would not be granted because the city of Seattle was in competition with a private power company.

I was told that Washington's allotment of funds had already been placed. This was done on the Grand Coulee project, where, during the early months of its construction, it was announced that residents from outside of the immediate area of the dam would not be eligible for work until those close by had been placed. This meant that for many months no one from Puget Sound area could obtain work on the Grand Coulee project. Even now, when the gates are open to them, it is such a distance away and such poor provisions are made for family housing that there are few who can break their family ties to go over there, even though it were economically feasible for them to do so on the small pay offered.

As evidence of the soundness of what we requested, I was able, over a year ago, to negotiate a $5,000,000 loan on Wall Street for doing the very things that the Federal Government would not assist us in doing because we were in competition with a private concern. The negotiation for this loan was carried on during the time and in the very face of the Federal Government's negative treatment of our application to them.

We are now rushing to completion our Diablo power house, and in a few months will have completed our office building. * * * The refusal from the Government was withheld through the year 1933 though it was the first of all in America. And the refusal was withheld through 1934, and so timed as to reach me on primary election day in November.

Second. Fort Collins, Colo.: Letters from Earl Douglass, commissioner of finance and ex-officio city treasurer of Fort Collins, and supplemental letters from the attorney for the city in this case indicate the following: The city of Fort Collins made its application for a loan and grant early in the period and at first secured an allotment. Later, however, the Public Service Co. offered vigorous and sustained opposition and launched several court actions against the city and the P. W. A. to prevent the loan and grant and finally succeeded in forcing an election on the subject. During this controversy—

The Public Service Co. of Colorado, being beaten in court, went to Washington and appeared before the Board of Review, stating that they were offering a cut in rates of 15 percent to Fort Collins, and so there was no use of the city building a plant. Mr. Hunt, without checking with the city's engineers as to whether the proposed cut was actually a 15-percent cut or not (it figures about 7.4 percent), and without a hearing from our side of the case, decided that our project was socially undesirable and wanted us to show why the project should not be dropped unless we could further reduce rates another 15 percent.

In the course of this controversy there appeared in the Express-Courier of Fort Collins a full one-third page ad with large display head:

United States Government states Fort Collins municipal plant "undesirable."

This claim on the part of the opponents of the municipal plant caused the city commissioners of the city of Fort Collins to publish an equally large display ad in the Monday, March 11, issue of the Express-Courier, in which they published in full the letter of Henry T. Hunt, chairman for the Administrator, in order to make clear to the people the position of the city commissioners and of the city in general on this particular matter. This letter of Mr. Hunt, as published in the Express-Courier, above mentioned, was dated November 9, 1934, and included, among other things, the following:

The Public Service Co. of Colorado has offered to put into effect the attached rate schedule, which is lower than that contemplated by the municipal system, *and offers also to meet the expenses which the city has incurred in connection with the project.* (Our italics.) We have concluded that unless the municipality agrees to put into effect rates at least 15 percent lower than those proposed by the company *the project will lack social desirability* (our italics) and will be inconsistent with the policy declared by the Administrator and approved by the President.

The ad of the city commissioners and city attorney then goes on to explain that—

The rates submitted to the P. W. A. in the statement by the city and referred to in Mr. Hunt's letter were the rates of the Public Service Co. in effect September 30, 1933, in Fort Collins, and not the proposed rates for the municipal light and power system. * * * The conference between Mr. Hunt and Messrs. Board and Bryans referred to in the above letter was without the knowledge of the city and for the sole purpose of interfering between the P. W. A. and the city so that the city would lose the $75,000 gift from the Government and could not sell its bonds at 4 percent. * * * The city council proceeded no further with Mr. Hunt, of the P. W. A. board of review, but took the matter up directly with Secretary Ickes, head of the entire P. W. A. * * * We did not feel justified at that time in carrying on negotiations with Mr. Hunt after he had held a secret conference

with representatives of the Public Service Co. when the city had on April 10, 1934, signed a contract with the Government for a gift to the city of $75,000 and to purchase our 4-percent revenue bonds at par.

It is interesting to note that in his letter to the State engineer published in the ad, as mentioned above, Mr. Hunt points out, after insisting that the city must reduce its rates 15 percent to meet the competition of the private company, that—

The rates effected by the municipal plant must, of course, provide sufficient revenue to cover operating expenses and debt service with a reasonable margin of safety.

And he then adds a little later on:

It appears very doubtful whether with the reduced rates the loan will be reasonably secured on the basis of a 15-year loan period, and we are, therefore, prepared to consider the loan on a 20-year basis if the applicant so wishes.

Commissioner Earl Douglass, in his letter, further states:

Like so many of these P. W. A. cases, the Colorado Public Service Co. has served an injunction in the Federal court preventing Mr. Ickes from loaning us the money. So until the P. W. A. set-up is determined in the supreme court, I doubt whether anything can be done. Meanwhile, we are already financed by private capital.

A letter from Herbert A. Alpert, writing at the request of Prof. Earl Douglass, explains that in view of the cases bought by the private power company against the P. W. A. and the city—

The city considered it better to sell its bonds to private dealers. So on April 19 it completed a deal whereby its entire bond issue of 4½-percent revenue bonds were sold to Brown, Schlessman, Owen & Co., of Denver, Colo., for $96.81. * * * On April 20 the city deposited in court, in connection with the condemnation suit, the sum of $216,569.56 in full payment of the award of the jury, and the court thereupon entered a rule giving the city title to the distribution system. Immediately after this award was paid into court the Public Service Co. filed an application in the supreme court for a stay of all proceedings pending its decision in a taxpayers' suit previously brought to enjoin the city from constructing its project and which had been decided adversely to it in the lower court. * * * On April 23 the application of the company in the taxpayers' suit before the supreme court for temporary stay was denied by the supreme court in a 4 to 3 ruling. On April 25 the city commenced reading meters, and completed the reading of meters the following day, and at the same time notified all consumers that they were now purchasing their energy from the city. * * * The city has prevailed in all litigation to date, and although two of the cases are now pending in the supreme court and there is a possibility that the writ of certiorari if denied in the district court will also be appealed, the city officials do not feel that there will be any reversal in the supreme court.

Augusta, Ga.: A memorandum submitted by engineers for the Augusta Canal Commission and a supporting letter under date of March 14, 1935, is as follows:

The original application for P. W. A. funds for this project was made September 28, 1933. A loan and grant of $2,500,000 was asked for the construction of a hydroelectric plant and a Diesel engine plant to be located on the banks of the Augusta Canal near Raes Creek. * * * The vice president of the Georgia Power Co. claimed that the project was financially unsound and morally wrong in that it competed with the Georgia Power Co. * * * On the strength of these assertions, the board of review, without considering the city's situation in the matter, arbitrarily cut the loan and grant from $2,500,000 to $1,250,000 and ordered the city and the Georgia Power Co. to get together on an agreement to firm the power of the project. * * * When this amended application reached Washington, it was referred to the newly created Power Board of Review, headed by Mr. Henry Hunt, who soon after called a conference of the canal commission and officials of the Georgia Power Co. Mr. Hunt entirely ignored the suggestions of the Engineering Department of the P. W. A. on which the amended application had been based, and insisted that the Augusta Canal Commission must again open up negotiations with the Georgia Power Co. for stand-by power and for sale of dump power.

Writing to the Augusta Canal Commission, Mr. Henry T. Hunt, among other things, said:

Only the Georgia Power Co. is in a position to deliver necessary supplemental power. The officers of the company are reluctant, of course, to sell power to be utilized to compete with their company. The commission has proposed a power exchange agreement; * * * however, has not limited resale in such a manner as to protect the company's interest.

Mr. Hunt then suggests a basis upon which the negotiation between the company and the commission should proceed, and in this connection insists:

*None of the commission's power, whether generated or purchased, shall be used to supply others than consumers who now have or may obtain, under existing conditions, the right to use canal water as a power source.* (Italics mine.)

This Mr. Hunt designates as "an appropriate limitation of the commission's market." Further in Mr. Hunt's letter he insists that—

*The period of the settlement should not be less than 20 years.* (Italics mine.) * * * This Board is firmly of the opinion that the bonds of the commission issued * * * could not be serviced by its prospective revenues, as the load in the city of Augusta would be subject to competition from the Georgia Power Co., and furthermore that the Georgia Power Co. could and would make rates lower than those possible to the commission.

He then makes the point that since the commission is unwilling to negotiate on the basis suggested—

This Board has no other course before it than to recommend to the Administrator that the application be denied.

The report of the engineers, in reviewing the situation, says in conclusion:

The Augusta Canal Commission feels that it has always been placed in a disadvantageous position by the officials of the P. W. A. In the first place, the Board of Review forced the canal commission to negotiate with the Georgia Power Co. under a condition whereby it was impossible for the commission to carry out its project. * * * Again, before the Electric Power Board of Review in the latter part of 1934, the Augusta Canal Commission was placed in the same position of disadvantage in their negotiations with the Georgia Power Co.

The Augusta project is one of the oldest municipal power canals in the United States. It has been in successful operation for over 90 years. The plan for developing power on the canal has been under consideration for many years, and was blocked first by Harvey Couch, before the P. W. A. was established. The present negotiations have been going on now for a period of over 3½ years, and at present seem to be still in abeyance.

Fourth. Auburn, N. Y.: A letter from Kirk Bowen, mayor of Auburn, containing a copy of a letter addressed to Secretary Ickes, of the P. W. A., gives us the following information:

The original application made by the city of Auburn was for a municipal light and power plant to supply street lighting and other public purposes only. Later, however, after the enabling legislation passed by the State of New York made it possible for the city to legally proceed with a complete plant for supplying the entire city, a letter received by Mayor Bowen from Henry T. Hunt, chairman, and acting for the administrator, written under date of November 26, 1934, insisted that there should be added to the city's estimate—

$5,150 for fixed charges on existing equipment and $7,000 for loss of taxes paid by the company, a total of $71,260, as against a cost of $50,000 *if the offer of the Empire Gas & Electric Co. is accepted.* (Italics mine.)

The letter then goes on to say:

It is not the policy of this Administration to finance municipal electric systems which do not provide service at a lower cost than the cost of obtaining service from the utility company serving the city. It is suggested, therefore, that the city of Auburn accept the company's offer, thus enabling this Administration to utilize the allotment in situations providing the necessary social desirability.

In reply to this letter of Mr. Hunt, Mayor Bowen wrote direct to Secretary Ickes, in which he said:

After receipt of this communication the city took no further official steps to secure loan and grant, because on advice of your own engineers the project was economically unsound in view of the drastic reduction offered by the company. However, having been so successful in securing lower electric rates for municipal purposes, the city council decided to proceed under chapter 281 of the New York State Laws of 1934 and voted unanimously to investigate the feasibility of constructing a larger plant to serve all consumers of electricity within the city who desired such service. A careful engineering analysis indicates such a plant, on a self-liquidating basis, can reduce present exorbitant residential rates approximately 30 percent, and a bond election on this project has been called for April 18.

On February 28, after the date had been set for a referendum on the large plant and system, we received a loan and grant agreement executed by you on the original project, previously declared economically unsound by the Electric Power Board of Review. Opponents of municipal ownership now advocate original plan and are using this Federal approval of small plant as their prime argument against referendum on large plant. We

would welcome Federal investigation of this situation, as entirely against your knowledge, your department is being used to further the selfish interests of the private utility company.

The matter went to referendum vote and was defeated, with the opposition using the argument supplied by the P. W. A. as indicated above.

IV. TYPICAL LETTERS AND FEATURES

First. Competitive plants are not favored by the P. W. A.: As indicated by some of the typical letters received and quoted above, there seems to have been a pretty well-settled policy on the part of the P. W. A. not to grant, or at least not to favor municipal projects where they were in competition with existing private plants. For example, T. E. Thompson, city manager of Shawnee, Okla., writes:

Two objections are made to our project. One is that they claim our percentage of bonded indebtedness is too high, and, secondly, that we would run in competition with the Oklahoma Gas & Electric Co.

Again, in the case of Fort Worth, Tex., Jerome C. Martin, city councilman, writes, under date of May 4, 1935, that their project was disproved—

Because the plant was not of sufficient capacity to furnish everyone in the city with electric power, and, furthermore, *because it was a competitive system.* (Italics mine.)

Further, in a letter by A. M. Ferebee, written for the Administrator, under date of February 27, 1935, the statement is made that the application was rejected, for—

It is further noted that the project would be competitive—

And so forth.

Similarly, in the case of Augusta, as above stated, objection was raised on the part of the P. W. A. because the project there would be "subject to competition from the Georgia Power Co.", and so forth.

Second. Companies given opportunity to underbid municipal plants, in which case grants were withheld: The way this operates has been mentioned above in connection with the Fort Collins, Colo., case. Also, in the case of Auburn, N. Y., we have referred to the statement by Henry T. Hunt, for the Administrator, to Mayor Kirk Bowen, in which it is stated:

It is not the policy of this Administration to finance municipal electric systems which do not provide service at a lower cost than the cost of obtaining service from the utility company serving the city.

Third. Those receiving grants dissatisfied: The correspondence received indicates that even in the case of at least some of the cities that have actually received grants there has been considerable dissatisfaction because of the way matters have been handled. This is particularly true in the case of Culpeper, Va. Mr. V. Von Gemmingen, town manager, writes:

Our application was one of the first filed in the State. About September 15, 1933, this project was reported favorably to the P. W. A. in Washington. Our first trouble seemed to be there, and it hung there indefinitely. It necessitated my making several trips each week to Washington to try to dislodge this jam. Finally, on November 10, 1933, our application was approved, and on December 20, 1933, a lapse of 40 days, the bond contract was signed. The town of Culpeper had drawn its plans and specifications, which were approved by the P. W. A., and duly advertised same. After making a study of the different Diesel engines, the town decided that they wished to install the V–G Moden De La Vergne engine; the bid on this was not the lowest, and for this reason the P. W. A. in Richmond refused to allow us to buy this engine. * * * After making repeated trips to Washington, the officials there notified the P. W. A. in Richmond that if we wished to buy the De La Vergne engines we could do so. Later we received a letter from the P. W. A. in Richmond apprising us of the fact that we could buy the De La Vergne engines, but sent a representative to Culpeper to appear before the council and to try to persuade the council to buy a cheaper make of engine.

Mr. Von Gemmingen further complains about the way the inspection was handled. He writes:

When construction was started a Federal inspector was sent to Culpeper who proved that he was not capable of handling the work in accordance with rules and regulations of the P. W. A.

The complaint here is that the inspector did not advise the city that the final grant could not be made until certain compliance certificates had been filed from the vendors of machinery, tools, and equipment, and so forth; that as a result a great deal of extra work and expense was incurred in assembling this information after the contractors had finished their work and left town. He also complains that the payments on the allotments were not made. He says:

This work was begun the winter of 1934, and on May 2, 1935, *we have yet to receive final payment from Washington.* (Italics mine.) * * * In our plant the unwarranted delay caused by the P. W. A. cost the town of Culpeper a financial loss in excess of $27,000 gross revenue, to say nothing of this extra cost added to the bids by the contractors, the immense amount of office work, and red tape incurred by restrictions and rules of the P. W. A. * * *

As you are aware, such projects are duly advertised and let to contractors. The contractors have completed their work and these contractors, under our approved contract, were due final payment 4 months ago. On account of not securing the final grant as set forth in our bond contract, we are unable to settle with these contractors and it has worked a hardship on the contractors having to wait for such a long period for settlement. We are today advertising for bids for the construction of a sewerage-disposal plant. However, after our experience with P. W. A. projects we have found it unwise to consider this work under the P. W. A. and will have to build same under regular contract. * * *

I think that you can plainly see from the predicament that the town of Culpeper was left in that we are justified in our decision to fight shy of any and all propositions presented to us by any agent of the Federal Government. * * * Taking all matters into consideration—innumerable delays, red tape, and additional office work have been a source of great expense and trouble—the 30-percent grant as allowed by the P. W. A. on such projects does not compensate the town or any political subdivision to enter into any agreement with the P. W. A.

Fourth. Costly delays: The correspondents complain in many cases of long and costly delays. We have above cited the case of Culpeper. T. E. Thompson, city manager of Shawnee, Okla., writes that—

Application filed 18 months ago was held up in the Oklahoma City office of the P. W. A. some 8 or 10 months and finally sent to Washington.

In the case of New London, Mo., Mr. J. R. Leavy, secretary of the Municipal Light League, complains that the delays in their case were so long that the matter—

Was stopped due to the fact that the Federal Government ceased accepting applications before any deal was consummated regarding their plans.

Frank E. Trobaugh, of West Frankfort, Ill., speaking of their case, says:

The application is dragging in the Department at Washington. It has been there for over a year and is still pending.

D. S. Johnson, of De Ridder, La., says:

Our application was filed with the New Orleans office about 15 months ago. It remained in that office until the authorities at Washington demanded that it be forwarded to them. Mr. J. M. Formey, of Hammond, La., our engineer, *spent 5 weeks in Washington looking after our application.* (Italics mine.)

Ray Garver, superintendent, of Hiram, Ohio, writes:

There has been a heartbreaking amount of red tape and inertia to overcome all along.

Fifth. Cities advised to submit to company terms and renew franchise grants: We have referred above to the case of Auburn, N. Y., where, in a letter addressed to the mayor, Kirk Bowen, Henry T. Hunt, writing for the Administrator, says:

It is suggested, therefore, that the city of Auburn accept the company's offer, thus enabling this administration to utilize the allotment in situations providing the necessary social desirability.

In the case of Fort Worth, Tex., Jerome C. Martin, city councilman, writes:

We feel that the information that we have received from the P. W. A. is perfectly ridiculous and reminds us of the difficulty that we experienced here in Fort Worth with the local P. W. A. officials when they did everything in their power to discourage the filing of the application by informing us that the chances were very remote that the loan would ever be made and that the thing for us to do was to buy the existing company at a valuation of $17,000,000 when the taxable value of it is only $5,000,000.

We have already cited the case of Augusta, where the P. W. A. officials insisted that the canal commission should negotiate with the private power company upon their terms and enter into an agreement to limit their market to existing customers and to extend the agreement for a period not less than 20 years. (See above.)

In the case of Fort Worth, Tex., City Councilman Martin writes that the State P. W. A. officials urged the applicants—

That the thing to do was to buy the existing company at their valuation.

Sixth. Misstatements: In some cases rather surprising misstatements were made in the reports to the cities. In the case of Circleville, W. Va., we are told by Mr. Harry C. Wolfe, engineer, that—

To clear legal difficulties we managed to have the State legislature pass a special act specifically authorizing the town of Circleville to issue revenue bonds for the project. And yet the P. W. A. takes final action on April 23, 1935, by saying that their legal division is of the opinion that the town would have no authority to issue revenue bonds, and that, therefore, the application has been finally disapproved.

In reply to this Mr. Wolfe wrote to Mr. Philip B. Fleming, acting deputy administrator, calling his attention to the special act passed by the legislature, a copy of which was made a part of their application. Mr. Wolfe says:

With a copy of this act before it, is it not a little bit ridiculous for your legal division to form the opinion that the town of Circleville would have "no authority" to issue revenue bonds?

In the case of Mount Dora, Fla., William J. Johnson, treasurer, writes that they were told that—

Our financial condition was in such shape that they could not consider a loan. In order for one to arrive at such a conclusion they must have read the figures upside down. We know of no other community of like size that is in better financial condition.

Seventh. Indefinite answers: Complaint is made by several municipalities that they could never get a definite answer, either yes or no, from the P. W. A. authorities. In the case of Seattle, for example, J. D. Ross complains:

For a year and a half I was given an answer of neither yes nor no.

In the case of Fort Worth a letter to the city manager by Mr. A. M. Ferebee, for the Administrator, states:

No final settlement has been made with regard to this application.

Thus indicating that further consideration might be given.

Eighth. Indefiniteness of policy: Mr. William J. Johnson, treasurer of Mount Dora, Fla., writes:

The Electrical Board of Review have concluded that our application was "without social desirability." We are puzzled to know just what this means.

The expression "without social desirability" occurs often in the letters sent to the municipalities, and its meaning is never clearly defined.

Ninth. Onerous conditions exacted: Barzilla W. Clark, mayor of Idaho Falls, writes of certain complications caused by the Reclamation Department in connection with the use of the water resources of the North Fork of the Snake River from which the city hydro plant derives some of its power. He says:

The Government now offers the city of Idaho Falls a contract whereby we furnish the Utah Power & Light Co. 1,000 kilowatts during the 5 winter months when water is being stored, the contract to be perpetual, with no allowance for depreciation, replacements, or other recompense. In other words, the city of Idaho Falls is to spend $110,000, besides the Government's $50,000, to install this 1,000 kilowatts, to be delivered to the Utah Power & Light Co. as long as Snake River flows. The power company threatens lawsuits if we "invade" their territory. They flatly refuse to sign any contract, either with the Government or our city, unless the city signs a perpetual agreement that it would not sell power in the power company's territory.

The letter of Mayor Clark, addressed to Frank R. McNinch, Chairman of the Federal Power Commission, concludes:

Is your Commission going to let the Reclamation Department and the Power Trust put the "squeeze" on a small intermountain city which has prior filings on the waters of the North Fork of Snake River and which shows a highly successful record of municipal ownership?

Tenth. Rewriting and revisions of applications: Engineers, who do not wish their names mentioned for fear of compromising the chances of their clients receiving favorable consideration from the P. W. A., complain that they have been required to do enormous amounts of unnecessary work to meet the terrific requirements of the legal and other divisions of the P. W. A. In one place it is stated that 80 documents, including ordinances, mortgages, transcripts, and what not, were prepared and submitted. Enough letters have been written to adequately cover a loan of $10,000,000 in one case where the total amount involved was only $32,500. Another engineer complains that they have been required to submit 22 different sets of plans and specifications for one project. These extra plans have cost them hundreds of dollars, the blue prints of each set alone costing $25.

Eleventh. Delayed payments: In some cases, after allotments have been made, contracts entered into, and the work done, the municipalities have not received the promised money, which has proven embarrassing. Willis J. Spaulding, commissioner of public property of Springfield, Ill., writes:

So far P. W. A. has advanced no money whatever on docket 759. We have supplied all the money from our own treasury and have been waiting for several months for a payment on the grant. We have found that to have work done under P. W. A. has resulted in a substantial increase in the cost; so that if we do not receive our 30-percent grant, it will mean positive loss to the city.

We have already cited the case of Culpeper, where the money has been allotted and the plant built, and yet the manager complains that they are unable to discharge their obligations and pay their contractors because the P. W. A. has not met its obligations or made its promised payments.

Twelfth. Announced policy not always followed: As noted, the announced policy of the P. W. A. has been not to favor municipal grants where municipal plants would be competitive. And yet, in the case of Circleville, W. Va., we are told that the project—

Is a noncompetitive self-liquidating project. * * * Circleville is a small, isolated community and at present is without electric service. There is but very little possibility that existing transmission lines will be extended to serve the community.

In this case the application is refused on other grounds, namely, that State laws do not permit the project, whereas the engineers claim that the State legislature had passed a special act authorizing the project.

Thirteenth. Municipalities compelled to resort to private borrowing: As a result of the various difficulties and delays explained herewith, many cities have grown discouraged, given up securing funds through the P. W. A., and built their own extensions or plants with private loans. We have already cited the case of Seattle, which, after a year and a half of delay, had no difficulty in securing a loan of $5,000,000 from private sources. Similarly, Fort Collins, Colo., finally gave up trying to get the funds through the P. W. A. and has very promptly disposed of its securities through a private financing concern.

H. E. Allen, superintendent of the municipal light plant of Wyandotte, Mich., writes:

In November 1932, the department of municipal services made application to the R. F. C. for a loan of $150,000 to complete a new power plant, which was at that time partially uncompleted. The loan was refused on account of legal technicalities, and the request was later withdrawn. However, we were able to finish the project, paying for the same from current earnings, and our power plant has been operating about 14 months. (P. W. A. reports "under study.")

W. H. Green, mayor of Muscle Shoals, Ala., writes:

Several months ago we began to build a power system for our municipality, borrowing the money from citizens of our town. We made application to the P. W. A. to expand our electrical system, but it was rejected because a water project was attached. We have been informed that the application has been acted upon by the various departments. We are getting our power from the T. V. A. and retailing it. *Since making the first application we have borrowed more money from our citizens and have expanded the system, but it is far from being sufficient to care for the needs of the town.* (Italics mine.)

W. W. Cullman, superintendent at Morgan City, La., writes:

Because of the pressure the Power Trust used, the city was very carefully turned down on its application for the loan. * * * Regardless of the action taken by the R. F. C. and the influence of Harvey Couch, we built the plant, and it is in operation, although it cost the city about $22,000 more to finance the project than if we could have borrowed the money from the R. F. C. (P. W. A. reports "under study.")

H. C. Zenor, of Brooklyn, Ind., writes that their project was stopped because the State had no law providing for revenue bonds. He says:

It will be necessary for the town to bring suit before the Supreme Court to clarify the law, and, of course, this would involve considerable expense. * * * We have tried to finance the project by using revenue bonds, *which were sold locally without difficulty, and we have the plant completed* at a cost a little less than half of what it would have cost in the P. W. A. way. (Italics mine.)

Fourteenth. Power Trust influence asserted: In several of the letters mentioned above it has been boldly asserted by city officials that they felt sure that the influence of the power interests had been effective in blocking their applications. W. W. Cullman, of Morgan City, La., writes:

Because of the pressure the Power Trust used, the city was very carefully turned down on their application for the loan. We could hardly expect any other decision in view of the fact that Mr. Harvey Couch is one of the three members of the R. F. C. and a hundred percent Power Trust believer, because he is a very heavy stockholder in several public utilities.

In the case of St. Cloud, Minn., a letter signed by the president, vice president, and three other members of the city council, written to the Federal Emergency Administration under date of October 11, 1934, in which, in discussing the activities of the private power interests in defeating their campaign for a municipal light plant, which they had hoped to secure through the P. W. A. loan, they say:

The Northern States Power Co. apparently did not save effort or expense in defeating the proposed amendment. * * * The only local daily newspaper, a Democratic organ, owned and published by Mr. Fred Schilplin, a former vice chairman of the Minnesota State Board of Public Works Administration, and now State director of the Federal Housing Administration, through its editorial column viciously attacked the amendment by misleading, inaccurate, and ambiguous statements. * * * Mr. Schilplin, according to newspaper reports, appointed R. F. Pack, president of the Northern States Power Co., on the Minneapolis Federal Housing Committee. In these respects and in many others, through high-powered campaign methods, the city council believes the people were misinformed and frightened, and as a result thereof the proposed amendment was voted down.

Fifteenth. Delaying reemployment: The failure, for whatever reasons, to make the grants and loans to the municipalities results in a delay of reemployment. In other words, were the projects applied for given the required funds, they would to that extent give employment to labor. For example, in the case of Seattle the project, if it had received the funds applied for, would have employed 3,600 men for 3 years. Similarly, every other delayed project meant the delay to that extent of the reemployment of those out of work.

Sixteenth. Concentrating upon State and Federal projects at the expense of local and municipal: In a study of the letters received from the various cities it appears that there is a tendency, whether conscious or not, to concentrate efforts and investments upon the large Federal projects and to withhold allotments from the local or municipal projects. This is illustrated in the letter of Secretary Ickes to me in connection with the Wichita Falls, Tex., proposed municipal plants. Secretary Ickes here suggests that the engineers of the Department advise that power could be supplied to Wichita from the proposed hydroelectric development on the Colorado River. However, this particular development is some 200 miles away from Wichita Falls, and it is believed that there will hardly be sufficient current produced at the proposed hydro development to supply the market in the cities and communities within 100 miles, the point being that here is illustrated the tendency which has been noted elsewhere to favor the development of large State or Federal projects and to discourage the local or municipal projects.

The same tendency is very strikingly illustrated in the case of the application of Seattle, which, as related above by Supt. J. D. Ross, was sacrificed in the interest of the great Federal project at Grand Coulee.

### BANKING ACT OF 1935

Mr. HOLLISTER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein a radio speech I made Monday evening.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. HOLLISTER. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following speech delivered by myself, ranking member of the House Banking and Currency Committee, on the pending banking bill, over the facilities of the National Broadcasting System, red network, from station WRC, May 6, 1935, 6 to 6:15 p. m.

In the few minutes which have been allotted to me tonight I am going to speak on the subject of the so-called "Banking Act of 1935", which is now under discussion in the House of Representatives and under consideration in the Banking and Currency Committee of the Senate. So much has been claimed for this bill; so much that is misleading has appeared in the press and has been broadcast through the air, that it is right and proper that there should be made a clear and simple statement of the fundamental issue which this bill raises, that is, an unwise increase in centralization of authority in the hands of a politically controlled board, over the banking system of the country.

The bill itself is divided into three parts, or titles, the first of which deals with certain changes in the law governing the insurance of bank deposits. The third contains a number of minor changes in the general banking laws. Both these titles are in the main satisfactory, but cleverly sandwiched in between them is title II, containing provisions which, if they become law, effect most dangerous changes in the Federal Reserve Act, that broad statute under which the far-flung Federal Reserve Banking System of the country operates.

We have become so used to the smooth and efficient working of the Federal Reserve System that we are prone to forget what a great reform it effected in our banking set-up, and what a long and careful study preceded its adoption. Leading bankers, economists who had specialized in the study of banking methods, industrial leaders, and members of the appropriate committees of both Houses of Congress, worked for several years on the preliminaries of the plan and made a careful study of the central banks of foreign countries, with a view toward evolving a system which would best fit the peculiar conditions of this country. It was agreed that the condition that then existed was unsatisfactory, and that greater flexibility of credit and concentration of reserves was desirable.

A bank cannot, of course, always have available liquid resources to meet the demands of all its depositors, for if this were so, it could not perform one of the chief functions of banking; that is, the lending of money to legitimate borrowers. Though it must keep a certain safe percentage of liquidity, the percentage which is safe in normal times may not be in times of stress, and there should therefore be certain reserves on which that bank can draw in times of emergency. Sometimes an emergency strikes a particular part of the country with great force, though other parts may be unaffected, and if a bank's reserves are carried in other banks of the locality, for the same reasons that cause the pressure on the first bank its reserves become unavailable at the very time when most needed. For this reason a national system of reserve banking is necessary, and in the operation of such a national system there must be a certain amount of coordination and unified policy.

With these fundamental principles before them, the builders of the Federal Reserve Act were faced with pressure on the one hand from those who believed in a central bank owned and operated by the Government, and on the other from those who wished that the central banking system have no connection whatsoever with the Government. The Federal Reserve Act as finally constituted was a happy compromise between these views. There was set up a Board known as the "Federal Reserve Board", consisting now of 8 members, 6 appointed for 12-year terms by the President, and, in addition, the Secretary of the Treasury and the Comptroller of the Currency. Of the 6 appointed members the President names 1 as Governor and 1 as Vice Governor. The Governor has become in time the dominant figure in the conduct of the affairs of the bank.

The act further divided up the country into 12 Federal Reserve districts, each established to cover as well as possible an area which was reasonably compact from a business point of view. One Federal Reserve bank was established in each district, and all banks which cared to do so became members of the Federal Reserve System and took stock in the Federal Reserve bank of their district. These member banks elected two-thirds of the board of directors of their regional bank, while the other one-third was named by the Federal Reserve Board, thus giving the central board considerable voice in the activities of the regional bank, and yet leaving major control in the hands of the banks whose money had gone to supply the capital of these regional banks.

The chief functions of the Federal Reserve banks are, first, to hold the reserves of the member banks—that is, a certain percentage of their deposits established by law—thus guaranteeing that the member banks shall not accept deposits out of all proportion to a safe margin of operation; second, to rediscount certain obligations on which the member banks have already lent money, thus making available to member banks additional funds; and third, to issue to member banks Federal Reserve notes, backed by a certain percentage of gold, so that these member banks may supply the needs of their customers for a cash medium of exchange in addition to that which the checking system supplies. The rate of rediscount is fixed by the various Federal Reserve

banks subject to the approval of the Federal Reserve board, which may also in times of emergency, on a vote of five members, and with the approval of the President, increase or decrease the percentage of reserves to deposits which the member banks must carry with the Federal Reserve banks.

On the whole, the Federal Reserve System has worked very well. Its adoption in 1913 was followed in a few years by the Great War, and notwithstanding the stress to which it was subjected because of war conditions, it functioned excellently. The general banking break-down of March 1933, however, has caused many to question the banking situation, and unfortunately and most mistakenly it has been argued that this break-down arose through weakness in the Federal Reserve System.

There is no question but that the failure of so many banks and the suspension of all banking for a short time came about as a result of a sudden deflation in all values. This is not the time or place to discuss the original causes of the depression. It is an accepted fact, however, that the deflation owed its severity to the enormous inflation of credit and of values which occurred just beforehand. It is argued that if the Federal Reserve Board had greater power over the Federal Reserve banks, and through them over the member banks, the enormous inflation would have been repressed, and therefore the resulting deflation would not have been so severe. They argue that if the Federal Reserve Board's power over the Federal Reserve banks is strengthened, if, in addition to its present control over the rediscount rate, it may change the reserve requirements of the member banks quickly and easily, and if it may force open-market operations on the Federal Reserve banks—that is, the buying and selling of Government and certain other types of obligations—inflation and deflation may be kept under control.

Such an argument is typical of a great many of the unsound theories which are expounded today. It attributes our difficulties to a weakness in machinery, when as a matter of fact the existing machinery is reasonably satisfactory, if only those operating it would use it properly. Unfortunately there were few in this country wise enough to realize in 1929 the disaster to which we were rushing, though it is a matter of record that the leading Federal Reserve bank of the country tried a number of times, without success, to induce the Federal Reserve Board at Washington to approve an increase in the rediscount rate to halt speculation.

It is not generally known that there are plenty of provisions in the present law which give to the Federal Reserve Board power to curb speculative activities, but they have not been exercised. It is simply an impossibility to expect any group of men to a great extent under the domination of an administration in power, to do anything as unpopular as trying to stop a boom, whether sound or otherwise. The brakes might possibly be set by a board wholly free of any political domination, but the increase of governmental control makes less the likelihood of wise action.

Now let us see what we are asked to do in this legislation which was drafted by the newly appointed Governor of the Federal Reserve Board, and its adoption urged by the President over the radio a week ago.

This law will increase, first, the power of the President over the Federal Reserve Board, for it contains for the first time a provision that the Governor and Vice Governor of the Board shall serve only at his pleasure. Second, it increases the power of the Federal Reserve Board over the Federal Reserve banks, by providing that hereafter the chief executive officer of each bank shall be subject to the approval of the Board. Third, it gives the Federal Reserve Board the power, acting perhaps by a bare majority of a bare quorum, or three members, to change the reserve requirements of the member banks at will. Fourth, it gives the Federal Reserve Board the right to force the Federal Reserve banks to participate irrespective of their own wishes in open-market operations. Thus, by a series of steps there is given the President, working through his control over the Federal Reserve Board, new and greater powers over the lifeblood of the country—its credit system.

The right to raise reserve requirements is the right to curtail, or even stop entirely, the normal banking function of lending. The right to lower reserve requirements brings the possibility of endangering deposits by requiring insufficient reserves. Neither power ought to be lightly exercised.

The right to require participation in open-market operations is, however, the most dangerous part of this legislation, for behind it there lurks a sinister shadow. It is well known that today the Government is operating with continued deficits, a situation which must cease in the near future if a collapse of Government credit is to be avoided. These deficits are financed by the sale of Government bonds. Government financing should be on the same basis as private financing—that is, a free and open market, where the savings of the people are voluntarily used in the purchase of Government obligations.

Most of us realize the dangers of the financing of Government deficits by the issue of fiat or printing-press money, mere pieces of paper with nothing behind them but the bare promise of the Government. We know that when this happens the value of such money goes down with increasing rapidity, while living costs mount proportionately. What few realize, however, is that when the Government uses compulsion to force unwilling purchasers to take its bonds, it might just as well turn to the printing press. There is no essential difference between compulsory financing of Government deficits by the issue of obligations bearing interest, which are bonds, and obligations without interest, which are printing-press money. Such compulsion in the buying of bonds is perhaps even worse than printing-press money, because more insidious. When the Government grinds the printing press we know it, and we have at least a danger signal before our eyes, but under the provisions of this bill Federal Reserve banks could be forced to take large sums of bonds against their will and against the judgment of all sound bankers, and yet it might appear for the time being that the Government's credit was unimpaired. The resulting collapse would be all the more severe. Financing of this nature is nothing more than a forced loan and is one of the vicious inroads on liberty which have been fought by free peoples for hundreds of years.

That you may not think that I am merely conjuring up harmless ghosts, let me point out that all civilized countries now under a democratic form of government have central banks even further removed from direct government control than is our central system today. Only in Italy and Russia is the situation different. In Italy the central bank is privately owned, but subject to government edict. In Russia all banks are owned by the government, and operated under the iron hand of dictatorship.

There has been no showing of any emergency which requires this legislation. It is only another request for power of the type with which we have become all too familiar in the past 2 years. This time, however, the power is to be exercised over the most delicate portion of our economic system, the credit structure. The possible results of a selfish or unwise exercise of this power are too distressing to contemplate. Basic changes in the Federal Reserve Act should only be made after study as careful and as detailed as preceded its original enactment.

### AID FOR MENHADEN-FISH INDUSTRY

Mr. GREEN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein a memorial to Congress from the Legislature of the State of Florida.

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. GREEN. Mr. Speaker, the menhaden-fish industry is one of the most important in Florida. We have five or more large plants which manufacture fish meal and fish scrap. This industry in Florida and other States is threatened through the importation of foreign products manufactured by cheap labor. With a tax of five-eighths of a cent per pound on the foreign product, our own industries can survive. We are asking the Ways and Means Committee to report the Bland bill, H. R. 7569, which carries this provision and thus offers the necessary protection to our American industry. The Florida Legislature, now in session, has just passed House Memorial No. 7, urging the Congress to pass the bill. The memorial follows:

Memorial to Congress requesting that the Congress of the United States without further delay pass the Bland bill, H. R. 7569

Whereas there are five menhaden-fish fertilizer plants located in different sections of the State of Florida, employing over 2,000 of our citizens; and

Whereas there is a great amount of menhaden-fish scrap and menhaden-fish meal being shipped into the United States and into the State of Florida by foreign nations, who, because of cheap labor, can sell their products at a price far below the cost of producing these products in our State; and

Whereas unless relief is given the citizens of our State connected with the menhaden-fish industry will be forced out of business and employment of our citizens will be curtailed; and

Whereas the Bland bill, being H. R. 7569, in the Congress of the United States, provides for a five-eighths of a cent tax on each pound of menhaden-fish meal and menhaden-fish scrap shipped into this country by other nations; and

Whereas the Bland bill has the endorsement of those citizens of the States of Virginia and Maryland engaged in this industry, as well as a great many of the people of our country; and

Whereas enactment of this bill into law will have a vital effect on the menhaden-fish industry in our Nation and our State; and

Whereas it alone will increase by $300,000 the annual pay rolls of the five menhaden-fish fertilizer plants in this State: Now, therefore, be it

*Resolved*, That it is the sense of your memorialists, the members of the Florida Legislative Assembly of the State of Florida, the senate and the house concurring, that the Congress of the United States should enact the Bland bill without further delay; be it futher

*Resolved*, That a copy of this memorial, duly authenticated, be sent by the secretary of State to the President of the Senate and the Speaker of the House of Representatives of the United States, and to each Senator and Representative in Congress from this State, to the President of the United States, and to Congressman SCHUYLER O. BLAND.

Approved by the Governor May 1, 1935.

### LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. FARLEY for 3 days, on account of important business.

ENROLLED BILLS SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled bills and joint resolutions of the House of the following titles, which were thereupon signed by the Speaker:

H. R. 530. An act granting compensation to the estate of Thomas Peraglia, deceased;

H. R. 3105. An act for the relief of Samuel Kaufman;

H. R. 4442. An act making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1936, and for other purposes;

H. J. Res. 272. Joint resolution to enable the Commissioners of the District of Columbia to defray certain expenses incident to the convention of the Imperial Council of the Mystic Shrine, June 8 to June 17, 1935, both inclusive;

H. J. Res. 273. Joint resolution extending the gratitude of the Nation to Admiral Byrd and to the members of his expedition; and

H. J. Res. 274. Joint resolution authorizing the appointment of a special joint committee to meet with other representatives of the Government in greeting Rear Admiral Richard E. Byrd upon his return from his second Antarctic expedition.

The SPEAKER announced his signature to enrolled bills and an enrolled joint resolution of the Senate of the following titles:

S. 51. An act for the relief of Frank Kroegel, alias Francis Kroegel;

S. 553. An act to authorize the settlement of individual claims for personal property lost or damaged, arising out of the activities of the Civilian Conservation Corps, which have been approved by the Secretary of War;

S. 559. An act to authorize settlement, allowance, and payment of certain claims;

S. 728. An act for the relief of Elton Firth;

S. 896. An act for the relief of Anna W. Ayer, widow of Capt. Asa G. Ayer, deceased;

S. 1037. An act authorizing adjustment of the claims of Sanford A. McAlister and Eliza L. McAlister;

S. 1039. An act authorizing adjustment of the claim of the West India Oil Co.;

S. 1053. An act authorizing adjustment of the claim of the Rio Grande Southern Railroad Co.;

S. 1055. An act authorizing adjustment of the claim of Frank Spector;

S. 1056. An act authorizing adjustment of the claim of Schutte & Koerting Co.;

S. 1057. An act authorizing adjustment of the claim of the Pennsylvania Railroad Co.;

S. 1302. An act for the relief of certain disbursing officers of the Army, and for other purposes;

S. 1414. An act for the relief of the rightful heir of Joseph Gayton;

S. 1502. An act for the relief of Charles L. Graves;

S. 2024. An act to give proper recognition to the distinquished services of Col. Wiliam L. Keller; and

S. J. Res. 94. Joint resolution establishing a commission for the participation of the United States in the observance of the three hundredth anniversary of the founding of the Colony of Connecticut, authorizing an appropriation to be utilized in connection with such observance, and for other purposes.

BILLS PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, bills and joint resolutions of the House of the following titles:

H. R. 530. An act granting compensation to the estate of Thomas Peraglia, deceased;

H. R. 3105. An act for the relief of Samuel Kaufman;

H. R. 4442. An act making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1936, and for other purposes;

H. J. Res. 272. Joint resolution to enable the Commissioners of the District of Columbia to defray certain expenses incident to the convention of the Imperial Council of the Mystic Shine, June 8 to June 17, 1935, both inclusive;

H. J. Res. 273. Joint resolution extending the gratitude of the Nation to Admiral Byrd and to the members of his expedition; and

H. J. Res. 274. Joint resolution authorizing the appointment of a special joint committee to meet with other representatives of the Government in greeting Rear Admiral Richard E. Byrd upon his return from his second Antarctic expedition.

ADJOURNMENT

Mr. TAYLOR of Colorado. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock p. m.) the House adjourned until tomorrow, Thursday, May 9, 1935, at 12 o'colck noon.

## COMMITTEE HEARINGS

COMMITTEE ON THE PUBLIC LANDS

(Thursday, May 9, 10:30 a. m.)

Committee will hold hearings on various bills.

## REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. WILSON of Louisiana: Committee on Flood Control. H. R. 7313. A bill authorizing a preliminary examination of Gafford Creek, Ark.; without amendment (Rept. No. 841). Referred to the Committee of the Whole House on the state of the Union.

Mr. KELLER: Committee on the Library. H. R. 6321. A bill authorizing the erection of a memorial to the survivors of the dirigible *Shenandoah;* without amendment (Rept. No. 842). Referred to the Committee of the Whole House on the state of the Union.

Mr. KELLER: Committee on the Library. H. R. 7731. A bill to provide for the erection of a statue of Abraham Lincoln in the Gettysburg National Cemetery; with amendment (Rept. No. 843). Referred to the Committee of the Whole House on the state of the Union.

Mr. KELLER: Committee on the Library. H. R. 7451. A bill authorizing the erection of a memorial to Brig. Gen. Casimir Pulaski at Savannah, Ga.; without amendment (Rept. No. 844). Referred to the Committee of the Whole House on the state of the Union.

Mr. AYERS: Committee on Irrigation and Reclamation. S. 1571. An act granting the consent of Congress to the States of Montana, North Dakota, South Dakota, and Wyoming to negotiate and enter into a compact or agreement for division of the waters of the Little Missouri River; without amendment (Rept. No. 846). Referred to the Committee of the Whole House on the state of the Union.

## REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII.

Mr. TURNER: Committee on Military Affairs. H. R. 1286. A bill for the relief of James H. Bell (or James Bell); without amendment (Rept. No. 845). Referred to the Committee of the Whole House.

## PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. OWEN: A bill (H. R. 7955) to establish a new division of the northern district of Georgia with terms of court to be held at Newnan, Ga.; to the Committee on the Judiciary.

By Mr. SUTPHIN: A bill (H. R. 7956) to prescribe the rate of pension for enlisted men of the Army, Navy, Marine Corps, and Coast Guard in cases of total and permanent disability; to the Committee on Expenditures in the Executive Departments.

By Mr. DREWRY: A bill (H. R. 7957) for the relief of certain officers on the retired list of the Navy and Marine Corps, who have been commended for their performance of duty in actual combat with the enemy during the World War; to the Committee on Naval Affairs.

By Mr. SCRUGHAM: A bill (H. R. 7958) to relieve unemployment in mining districts, increase the monetary gold and silver reserve of the United States, and to develop strategic, deficiency, and noncompetitive mineral resources of the Nation, and for other purposes; to the Committee on Mines and Mining.

By Mr. IGLESIAS: Joint resolution (H. J. Res. 278) to transfer to the government of the capital, Puerto Rico, certain property known as the "Monastery of St. Thomas of Aquinas", and for other purposes; to the Committee on Military Affairs.

By Mr. EAGLE: Joint resolution (H. J. Res. 279) authorizing the President to invite the States of the Union and foreign countries to participate in the Oil Equipment and Engineering Exposition at Houston, Tex., to be held April 20 to 25, inclusive, 1936; to the Committee on Foreign Affairs.

## PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BURCH: A bill (H. R. 7959) to provide for the retirement of Shockley Dewitt Gardner as a first lieutenant, United States Army; to the Committee on Military Affairs.

By Mr. DIMOND: A bill (H. R. 7960) for the relief of Werner Ohls; to the Committee on Claims.

By Mr. DOCKWEILER: A bill (H. R. 7961) for the relief of William S. McClure; to the Committee on Military Affairs.

By Mr. DOUGHTON: A bill (H. R. 7962) for the relief of Grier-Lowrance Construction Co., Inc.; to the Committee on Claims.

By Mr. DREWRY: A bill (H. R. 7963) for the relief of J. Edwin Hemphill; to the Committee on Claims.

By Mr. GINGERY: A bill (H. R. 7964) granting a pension to Lydia Frances Nyman; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7965) granting an increase of pension to Mary A. Beckwith; to the Committee on Invalid Pensions.

By Mr. GREENWOOD: A bill (H. R. 7966) granting a pension to Edward Armel; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7967) granting a pension to Belle Armel; to the Committee on Invalid Pensions.

By Mr. JENKINS of Ohio: A bill (H. R. 7968) granting an increase of pension to Frank Butcher; to the Committee on Pensions.

By Mr. LESINSKI: A bill (H. R. 7969) for the relief of Alex Zegunia; to the Committee on Claims.

By Mr. McGEHEE: A bill (H. R. 7970) for the relief of V. P. Johnson; to the Committee on Claims.

By Mr. REECE: A bill (H. R. 7971) for the relief of Walter I. Whitty; to the Committee on Claims.

By Mr. TARVER: A bill (H. R. 7972) for the relief of Mahaley Bishop Wheeler; to the Committee on Claims.

By Mr. WHELCHEL: A bill (H. R. 7973) granting a pension to Katherine Henley; to the Committee on Pensions.

## PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

8317. By Mr. GOODWIN: Petition of the Monticello Chamber of Commerce, Monticello, Sullivan County, N. Y., desiring to go on record as opposing the Wagner labor-disputes bill; to the Committee on Labor.

8318. By Mr. HOOK: Petition of Robert Renwick and 52 other residents of Red Jacket Shaft Location, Calumet, Mich., petitioning the Congress of the United States to place an embargo on foreign copper into the United States; to the Committee on Ways and Means.

8319. Also, resolution of the Jugoslav Society of Calumet, Mich., favoring adequate protection for the copper-mining industry; to the Committee on Ways and Means.

8320. By Mr. KENNEY: Resolution of carpenters and affiliated trades, civic organizations, and citizens of Hackensack, N. J., endorsing the plan perfected by Maj. L. Alfred Jenny on transportation problems for linking northeastern New Jersey with New York by rapid transit, with a dual provision of relieving distress and creating a worth-while improvement; to the Committee on Interstate and Foreign Commerce.

8321. Also, petition of the Arizona State Chamber of Commerce, endorsed by the Chamber of Commerce of Rutherford, N. J., favoring the adoption of the resolution urging continuation of the tax on foreign copper; to the Committee on Ways and Means.

8322. Also, resolution adopted by the people of New Milford, N. J., and citizens from neighboring communities, in mass meeting assembled at New Milford on April 25, 1935, under the auspices of the mayor and council, favoring the plan to link northeastern New Jersey with New York by rapid transit; to the Committee on Interstate and Foreign Commerce.

8323. By Mr. KRAMER: Memorial of the California Joint Assembly, No. 51, relative to memorializing the President and the Congress to enact legislation declaring Admission Day a holiday for all officers and employees of the United States whose headquarters are in California; to the Committee on the Judiciary.

8324. By Mr. LESINSKI: Resolution of United Automobile Workers Federal Labor Union, No. 18677, respectfully urging the enactment of the Wagner-Connery Labor Relations Act; to the Committee on Labor.

8325. Also, resolution of Corporal James W. Johnson Post, No. 78, Veterans of Foreign Wars of the United States, the first post in Michigan, respectfully petitioning the President and the Congress of the United States to authorize and appropriate sufficient moneys to build a Veterans' Administration hospital of 500-bed capacity in the Detroit area; to the Committee on World War Veterans' Legislation.

8326. Also, resolution of Corp. James W. Johnson Post, No. 78, Veterans of Foreign Wars of the United States, the first post in Michigan, solemnly petitioning the President, the Senate, and the House of Representatives to do all in their power to keep the United States out of another war of aggression; to the Committee on World War Veterans' Legislation.

8327. By Mr. MARTIN of Massachusetts: Memorial of the General Court of Massachusetts, requesting relief from unfair competition for Massachusetts boot and shoe manufacturers, and seeking national unemployment insurance legislation; to the Committee on Ways and Means.

8328. By Mr. PFEIFER: Petition of the New York State legislative board, Brotherhood of Locomotive Firemen and Enginemen, Albany, N. Y., concerning the Crosser House Joint Resolution 219; to the Committee on Interstate and Foreign Commerce.

8329. Also, petition of the Brotherhood of Railroad Trainmen, legislative board, State of New York, Albany, concerning House bills 169, 2022, 2749, 2870, and 2901; to the Committee on Interstate and Foreign Commerce.

8330. By Mr. RUDD: Petition of the New York State legislative board, Brotherhood of Locomotive Firemen and Enginemen, concerning the Crosser House Joint Resolution 219; to the Committee on Interstate and Foreign Commerce.

8331. Also, petition of the New York joint board of the Amalgamated Clothing Workers of America, concerning the continuance of the National Recovery Act, as recommended by the President; to the Committee on Ways and Means.

8332. Also, petition of pants makers' trade board, Amalgamated Clothing Workers of America, New York City, concerning the continuance of the National Recovery Act and the Wagner labor-disputes bill; to the Committee on Labor.

8333. Also, petition of the Brotherhood of Railroad Trainmen, legislative board, State of New York, concerning House

bills 169, 2022, 2749, 2870, and 2901; to the Committee on Interstate and Foreign Commerce.

8334. By Mr. TOLAN: Petition of the executive committee of the Newman Club of the University of California, headed by James J. O'Connor, president, and Geraldine Galliani, secretary, together with 150 signatures subscribed thereto, in the name of 400 members and 1,250 Catholic students of the University of California, requesting Congress to support any action designed to influence the Mexican Government to respect the religious rights of its citizens; to the Committee on Foreign Affairs.

8335. By Mr. TRUAX: Petition of the Youngstown Chamber of Commerce, of Youngstown, Ohio, by the chairman, D. E. Jenkins, opposing Senate bill 2573, because an amount of $300,000,000 annually now paid by railroads in taxes would be lost under Government ownership, and Government ownership operation costs would be higher than the private ownership and would destroy individual initiative of employees and management; to the Committee on Interstate Commerce.

8336. Also, petition of the Darke County Farm Bureau, of Greenville, Ohio, by their president, Fred Steffen, requesting the support of the Goldsborough amendment; to the Committee on Banking and Currency.

8337. Also, petition of Center Grange, No. 2428, of Woodsfield, Ohio, by their master, W. W. Willison, opposing such Federal regulation as is proposed by Senate bill no. 1629, because it is unfair, discriminatory, and unnecessary at this time, and is not for the real interests of either producer or consumer, whether rural or urban; to the Committee on Interstate Commerce.

8338. Also, petition of Painters, Decorators, and Paperhangers of America Local Union No. 7, of Toledo, Ohio, by their secretary, C. E. Thomas, requesting support of House bills 7172 and 6990; to the Committee on the Post Office and Post Roads.

8339. By Mr. WIGGLESWORTH: Petition of the General Court of Massachusetts, requesting the National Recovery Administration to grant to Massachusetts boot and shoe manufacturers and others relief from unfair competition; to the Committee on Appropriations.

8340. Also, petition of the General Court of Massachusetts, urging the enactment of national unemployment insurance legislation; to the Committee on Ways and Means.

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# SENATE

## THURSDAY, MAY 9, 1935

*(Legislative day of Tuesday, May 7, 1935)*

The Senate met at 12 o'clock meridian, on the expiration of the recess.

### THE JOURNAL

On request of Mr. ROBINSON, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Wednesday, May 8, 1935, was dispensed with, and the Journal was approved.

### TRIBUTES TO THE LATE SENATOR CUTTING

The VICE PRESIDENT laid before the Senate resolutions adopted by the Yankee Division Veterans Association, at Bridgeport, Conn., which were ordered to lie on the table and to be printed in the RECORD, as follows:

Resolution passed by the Yankee Division Veterans Association, of Bridgeport, Conn., at its May 6, 1935, meeting at Bridgeport, concerning the untimely death of Bronson M. Cutting, United States Senator from the State of New Mexico

In recognition of the long and untiring services of Senator Cutting to his State and country; his unselfish stand at all times in matters pertaining to veteran legislation, particularly his recent attitude and definite liberal stand taken on the more recent veteran legislation appearing before Congress; his devotion to the welfare of the disabled veterans of the World War, particularly his untiring efforts in bearing the brunt of the fight in favor of the disabled veterans and all veterans in the last Congress in connection with his stand on the economy bill, the Yankee Veterans Association at this meeting in Bridgeport, Conn., on May 6, 1935, wishes to express its sense of personal loss in his death, and its utmost appreciation of his service to the veteran.

Having served his country in war as well as in peace, and meeting his untimely death while en route to further the cause of the veteran, this association feels that it truly has lost a great friend, and he will be sadly and keenly missed by the people of the State of New Mexico—a truly great American, liberal and statesman, and the members of this association feel that his loss is a great one to the entire country at large: Therefore be it

*Resolved*, That this expression of appreciation and sympathy be sent to the bereaved mother and family, and also that these resolutions be spread upon the minutes of this meeting; and be it further

*Resolved*, That a copy of these resolutions be sent that august body, the Senate of these great United States.

YANKEE DIVISION VETERANS ASSOCIATION,
BRIDGEPORT, CONN.,
By GEORGE W. WEST, *President*.

Attest:

JOHN SCHULTZ, *Secretary*.

Mr. WHEELER presented a telegram from the Silver Bow County Trades and Labor Council, Butte, Mont., which was ordered to lie on the table and to be printed in the RECORD, as follows:

BUTTE, MONT., *May 9, 1935*.

Senator B. K. WHEELER,
*Senate Office, Washington, D. C.:*

The labor movement of Silver Bow County desire to have you express to the United States Senate our most profound grief of the untimely death of labor's friend, Senator Cutting.

HARRY J. GRIMES,
*Secretary Silver Bow Trades and Labor Council.*

### MESSAGE FROM THE HOUSE—ENROLLED BILLS AND JOINT RESOLUTION SIGNED

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bills and joint resolution, and they were signed by the Vice President:

S. 51. An act for the relief of Frank Kroegel, alias Francis Kroegel;

S. 553. An act to authorize the settlement of individual claims for personal property lost or damaged, arising out of the activities of the Civilian Conservation Corps, which have been approved by the Secretary of War;

S. 559. An act to authorize settlement, allowance, and payment of certain claims;

S. 728. An act for the relief of Elton Firth;

S. 896. An act for the relief of Anna W. Ayer, widow of Capt. Asa G. Ayer, deceased;

S. 1037. An act authorizing adjustment of the claims of Sanford A. McAlister and Eliza L. McAlister;

S. 1039. An act authorizing adjustment of the claim of the West India Oil Co.;

S. 1053. An act authorizing adjustment of the claim of the Rio Grande Southern Railroad Co.;

S. 1055. An act authorizing adjustment of the claim of Frank Spector;

S. 1056. An act authorizing adjustment of the claim of Schutte & Koerting Co.;

S. 1057. An act authorizing adjustment of the claim of the Pennsylvania Railroad Co.;

S. 1302. An act for the relief of certain disbursing officers of the Army, and for other purposes;

S. 1414. An act for the relief of the rightful heir of Joseph Gayton;

S. 1502. An act for the relief of Charles L. Graves;

S. 2024. An act to give proper recognition to the distinguished services of Col. William L. Keller; and

S. J. Res. 94. Joint resolution establishing a commission for the participation of the United States in the observance of the three hundredth anniversary of the founding of the Colony of Connecticut, authorizing an appropriation to be utilized in connection with such observance, and for other purposes.

### CALL OF THE ROLL

Mr. AUSTIN obtained the floor.

Mr. BARBOUR. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names: